

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION

ON ITS OWN MOTION

- VS -

CONSUMERS ILLINOIS WATER COMPANY

Proposed general increase in water rates

00-0337

00-0338

00-0339

(Consolidated)

AFFIDAVIT OF DIANNA HATHHORN

STATE OF ILLINOIS

SS

COUNTY OF SANGAMON

I, Dianna Hathhorn, being duly sworn on oath state that I am the same Dianna Hathhorn identified in the following exhibits:

ICC Staff Exhibit 1.00 (direct testimony consisting of a cover page; 25 pages of text in question-and-answer form; and Schedules 1.01 K, 1.01 V, 1.01 W, 1.02 K, 1.02 V, 1.02 W, 1.03 K, 1.03 V, 1.03 W, 1.04 K, 1.04 V, 1.04 W, 1.05 K, 1.05 V, 1.05 W, 1.06 K, 1.06 V, 1.06 W, 1.07 K, 1.07 V, 1.07 W, 1.08 K, 1.08 V, 1.08 W, 1.09 K, 1.09 V, 1.09 W, 1.10 K, 1.10 V, 1.10 W, 1.11 K, 1.11 V, 1.11 W, 1.12 K, and 1.13 V) and

ICC Staff Exhibit 8.00 (rebuttal testimony consisting of a cover page; 12 pages of text in question-and-answer form; and Schedules 8.01 K, 8.01 V, 8.01 W, 8.02 K, 8.02 V, 8.02 W, 8.03 K, 8.03 V, 8.03 W, 8.04 K, 8.04 V, 8.04 W, 8.05 K, 8.05 V, 8.05 W, 8.06 K, 8.06 V, 8.06 W, 8.07 K, 8.07 V, 8.07 W, 8.08 K, 8.08 V, 8.08 W, 8.09 K, 8.09 V, 8.09 W, 8.10 K, 8.10 V, 8.10 W, 8.11 K, and 8.11 V);

that I have prepared the above exhibits and am familiar with the contents thereof; and that the above exhibits are true and correct to the best of my knowledge as of the date hereof.

Further affiant sayeth not.

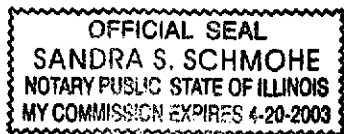
Dianna Hathhorn

SUBSCRIBED AND SWORN to before
me this 14th day of November, 2000.

OFFICIAL FILE

I.C.C. DOCKET NO. 00-0337-00-0338-00-0339
STAFF Exhibit No. 1.00 & 8.00
Witness: Hathhorn
Date: 11/17/00 Reporter: [Signature]

Sandra S. Schmohe
NOTARY PUBLIC



DOCKET NOS. 00-0337/
00-0338/00-0339
CONSOLIDATED
ICC STAFF EXHIBIT 1.00

DIRECT TESTIMONY

OF

DIANNA HATHHORN

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

CONSUMERS ILLINOIS WATER COMPANY

DOCKET NOS. 00-0337/00-0338/00-0339 CONSOLIDATED

AUGUST 31, 2000

1 Witness and Exhibit/Schedule Identification

2 Q. Please state your name and business address.

3

4 A. My name is Dianna Hathhorn. My business address is 527 East Capitol
5 Avenue, Springfield, Illinois 62701.

6

7 Q. By whom are you employed and in what capacity?

8

9 A. I am an Accountant in the Accounting Department of the Financial Analysis
10 Division of the Illinois Commerce Commission.

11

12 Q. What is the function of the Accounting Department of the Illinois Commerce
13 Commission?

14

15 A. The Department's function is to monitor the financial condition of public
16 utilities as part of the Commission's responsibilities under Article IV of the
17 Public Utilities Act and to provide accounting expertise on matters before the
18 Commission.

19

20 Q. Please describe your background and professional affiliation.

21 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting
22 from Illinois State University in 1993. Prior to joining the Commission in
23 1998, I worked as an internal auditor for another Illinois state agency for
24 approximately 3.5 years. I also have 1.5 years experience in public
25 accounting for a national firm.

26

27 Q. Have you previously testified before this Commission?

28

29 A. Yes, I have.

30

31 Q. What are your responsibilities in this case?

32

33 A. I have been assigned to this case by the Director of the Accounting
34 Department of the Illinois Commerce Commission. I am to review
35 Consumers Illinois Water Company's ("CIWC" or "Company") filing, analyze
36 the underlying data and propose adjustments when appropriate.

37

38 Q. What is the purpose of your testimony in this proceeding?

39

40 A. The purpose of my testimony is as follows:

1. to present the Staff adjusted operating statements and rate base of the Company;
2. to propose adjustments to the Company's operating statement and rate base concerning cash working capital, retirements, materials and supplies, plant in service, depreciation expense, accumulated depreciation, accumulated deferred income taxes, and corrections to contractual services and the treatment of certain add-on taxes; and
3. to recommend certain changes in Company procedures, and to recommend an original cost determination be found by the Commission.

Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.00?

A. Yes. I prepared (or supervised the preparation of) the following schedules for the Company, which show data as of, or for the test year ending December 31, 2001:

Revenue Requirement Schedules

**Schedule 1.01 (K), (V) & (W) - Statement of Operating Income with
Adjustments**

Schedule 1.02 (K), (V), & (W) - Adjustments to Operating Income

62	Schedule 1.03 (K), (V), & (W) - Rate Base	
63	Schedule 1.04 (K), (V), & (W) - Adjustments to Rate Base	
64	Schedule 1.05 (K), (V), & (W) - Revenue Effects of Adjustments	
65	Schedule 1.06 (K), (V), & (W) - Interest Synchronization Adjustment	
66	Schedule 1.07 (K), (V), & (W) - Gross Revenue Conversion Factor	
67		
68	<u>Adjustment Schedules</u>	
69	Schedule 1.08 (K), (V), & (W) -	Working Capital Adjustment
70	Schedule 1.09 (K), (V), & (W) -	Correction to Depreciation Expense
71		Adjustment
72	Schedule 1.10 (K), (V), & (W) -	Accumulated Deferred Income Taxes
73		Adjustment
74	Schedule 1.11 (K), (V), & (W) -	Materials & Supplies Adjustment
75	Schedule 1.12 (K) -	Kankakee Add-On Tax Adjustment
76	Schedule 1.13 (V) -	Historical Plant Adjustment

78 Q. Please explain the "(K)", "(V)", and "(W)" suffixes which appear in your
79 schedule numbers:
80
81 A. Consumers Illinois Water Company has filed for rate increases for three
82 operating divisions: Kankakee, Vermilion County, and Woodhaven. The

83 “(K)” suffix identifies a schedule which pertains to the Kankakee water
84 operations. The “(V)” suffix identifies a schedule which pertain to the
85 Vermilion County water operations. The “(W)” suffix identifies a schedule
86 which pertains to the Woodhaven water operations.

87

88 Q. Do you discuss any recommendations as part of ICC Staff Exhibit 1.00?

89

90 A. Yes, the following recommendations are discussed:

- 91 • Recommendation # 1-Continuing Property Records Procedures
- 92 • Recommendation # 2-Continuing Property Records Internal Audit
- 93 • Recommendation # 3-Allocation of Corporate Assets
- 94 • Recommendation # 4-Original Cost Determination

95

96 Revenue Requirement Schedules

97 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.01 (K), (V), & (W),

98 Statement of Operating Income with Adjustments.

99

100 A. ICC Staff Exhibit 1.00, Schedule 1.01 (K), (V), & (W) derives the required
101 revenue at the Staff proposed rate of return. Column (B) presents the
102 Company’s pro forma operating statement at present rates for the test year
103 as reflected on the Company’s WP-C1. Column (C) reflects the total of all

104 Staff adjustments shown on ICC Staff Exhibit 1.00, Schedule 1.02 (K), (V), &
105 (W). Column (D) reflects the pro forma operating statement at present rates
106 per Staff. Column (E) presents the Company proposed increase to revenue.
107 Column (G) adjusts revenue to reflect Staff's Gross Revenue Conversion
108 Factor. Column (G) is Staff's Statement of Operating Income inclusive of the
109 Company's proposed revenue increase. Column (H) is the necessary
110 reduction from the Company's proposed revenues, adjusted for Staff's Gross
111 Revenue Conversion Factor, to arrive at Staff's computed revenue
112 requirement as reflected in Column (I). Column (J) is the difference between
113 current revenues and required revenues as determined by Staff. Column (K)
114 is Staff's calculated percentage change in revenues. Net Operating Income
115 in Column (I), line 28, is the product of Rate Base, line 30, and Rate of
116 Return, line 32.

117
118 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.02 (K), (V), & (W),
119 Adjustments to Operating Income.

120

121 A. Schedule 1.02 (K), (V), & (W) identifies Staff's adjustment to Operating
122 Income. The source of each adjustment is shown in the heading of each
123 column. Column (U) is carried forward to ICC Staff Exhibit 1.00, Schedule
124 1.01 (K), (V), & (W), Column (C).

125

126 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.03 (K), (V), & (W), Rate
127 Base.

128

129 A. Schedule 1.03 (K), (V), & (W) compiles Staff's rate base. Column (B)
130 reflects the Company's proposed rate base. Column (C) summarizes Staff's
131 adjustments to rate base. Column (D) is the net of Columns (B) and (C), and
132 reflects Staff's computed rate base.

133

134 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.04 (K), (V), & (W),
135 Adjustments to Rate Base.

136

137 A. Schedule 1.04 (K), (V), & (W) identifies Staff's adjustments to rate base.
138 The source of each adjustment is shown in the heading of each column.
139 Column (K) is carried forward to ICC Staff Exhibit 1.00, Schedule 1.03 (K),
140 (V), & (W), Column (C).

141

142 Q. What is the purpose of ICC Staff Exhibit 1.00, Schedule 1.05 (K), (V), & (W)?

143 A. Schedule 1.05 (K), (V), & (W) is a three page document which identifies the
144 approximate effect of each Staff adjustment on the Company's revenue
145 requirement. It is an analysis, not the development, of Staff's position. As

146 such, it is intended to assist in identifying the relative monetary significance
147 of each adjustment.

148

149 Interest Synchronization

150 Q. Please explain ICC Staff Exhibit 1.00, Schedule 1.06 (K), (V), & (W), Interest
151 Synchronization Adjustment.

152

153 A. Schedule 1.06 (K), (V), & (W) computes the interest component of the
154 revenue requirement. The interest expense (component) is computed by
155 multiplying the rate base by weighted cost of debt. The calculated interest
156 expense is then compared against the interest expense used by the
157 Company in its computation of test year income tax expense. The tax effect
158 of the difference in interest expense is the adjustment for interest
159 synchronization. The effect of this adjustment is to ensure that the revenue
160 requirement reflects the tax savings generated by the interest component of
161 the revenue requirement.

162

163 Gross Revenue Conversion Factor

164 Q. What is the purpose of ICC Staff Exhibit 1.00, Schedule 1.07 (K), (V), & (W),
165 Gross Revenue Conversion Factor?

166

167 A. Schedule 1.07 (K), (V), & (W) is a two-page document which presents
168 information related to the Gross Revenue Conversion Factor ("GRCF").
169 Page 1 presents the various components of, and the computation of the
170 GRCF. Page 2 calculates the amount of revenue needed to produce the
171 Company's requested increase in operating income using Staff's GRCF.
172 Page 2 also shows the related Uncollectibles and State and Federal Income
173 Taxes on the required revenue increase. This adjustment to the various
174 components of the GRCF is carried forward to Schedule 1.01 (K), (V), & (W),
175 Column (F).

176

177 Working Capital Adjustment

178 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.08 (K), (V), & (W),
179 Working Capital Adjustment.

180

181 A. Schedule 1.08 (K), (V), & (W) reflects my proposed adjustment to rate base
182 to reflect Staff's adjustments to operating and maintenance expenses. The
183 details of my computation of the working capital allowance is presented on
184 Schedule 1.08 (K), (V), and (W).

185

186 Correction to Depreciation Expense Adjustment

187 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.09 (K), (V), & (W),
188 Correction to Depreciation Expense Adjustment.
189

190 A. Schedule 1.09 (K), (V), & (W) presents the following proposed adjustments
191 related to depreciation expense: 1) to remove depreciation expense from
192 contractual services and 2) to recalculate depreciation expense using the
193 Company's composite depreciation rate for the data processing equipment
194 account.
195

196 I have removed depreciation expense from contractual services because it is
197 duplicative of depreciation expense reported in depreciation expense for the
198 test year. I also have other concerns on the Company's presentation of the
199 Kankakee Corporate Office and the Vermilion Remittance Center, which I
200 discuss later in my testimony.
201

202 Additionally, I have recalculated depreciation expense using the Company's
203 composite depreciation rate for the data processing equipment account, as
204 proposed by Staff witness Roy A. King in his direct testimony. He is
205 requesting a detailed break down of the data processing equipment account.
206 Should he recommend changes in classes and/or lives to this account in his

207 rebuttal testimony, my depreciation expense, as well other proposed
208 adjustments, will need to change in rebuttal.

209

210 Accumulated Deferred Income Taxes Adjustment

211 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.10 (K), (V), & (W),
212 Accumulated Deferred Income Taxes ("ADIT") Adjustment.

213

214 A. Schedule 1.10 (K), (V), & (W) presents my adjustment to rate base for Staff's
215 proposed accumulated deferred income tax amount. The adjustment
216 consists of two components for the Kankakee Division, and one component
217 for the Vermilion and Woodhaven Divisions, which I will explain further below.

218

219 Q. Please describe the first component of your ADIT Adjustment.

220

221 A. Schedule 1.10 (K), (V), & (W), Page 2, presents my proposed adjustment to
222 ADIT to correct for a Company error in its ADIT balance. The Company's
223 ADIT balances contain an adjusting entry for their proposed change in
224 depreciation rates. However, the adjustment was not averaged as required
225 when using an average future test year rate base, therefore the Company
226 balances must be restated to accurately account for the average adjustment

227 rather than the whole amount. This component is a part of my proposed
228 ADIT adjustment for all three divisions.

229

230 Q. Please describe the second component of your proposed ADIT Adjustment.

231

232 A. The second component is necessary for the Kankakee Division only, and is
233 reflected on Schedule 1.10 (K), (V), & (W), Page 3. It is for the proration of
234 ADIT.

235

236 Q. Did the Company prorate its ADIT for its future test year?

237

238 A. No.

239

240 Q. Is the Company required to prorate accumulated deferred income tax?

241

242 A. Yes. For Federal income tax purposes, Internal Revenue Code Section 167
243 (Depreciation) requires taxpayers to follow IRS Regulations. IRS Regulation
244 1-167(1)-1(h)(6) addresses the calculation requirements that taxpayers need
245 to comply with in order to avoid violating the tax law. This regulation
246 addresses Accumulated Deferred Income Taxes attributable to the
247 accelerated depreciation of public utility property (ADIT-ADPUP) in a

248 forecasted future test year rate case filing. Proration is a method of
249 determining a computed maximum amount of ADIT-ADPUP, which is used
250 as a reduction to rate base.

251

252 Q. If the Company does not comply with the regulation, what results?

253

254 A. If the regulation is not complied with, it is considered to be a normalization
255 violation. This can result, for income tax purposes, in the loss of the
256 Company's privilege to file returns using accelerated depreciation methods
257 and would create a substantially greater income tax liability.

258

259 Q. Describe the required proration calculation.

260

261 A. The proration calculation adds the 12/31/00 beginning ADIT projected
262 balance, as adjusted for my first component on pages 2 of Schedule 1.10
263 (K), with the ending 12/31/01 prorated projected balance. This result is
264 divided by two to arrive at an average prorated test year amount.

265 Q. Why isn't this second component a part of the ADIT adjustment for the
266 Vermilion or Woodhaven Divisions?

267

268 A. The proration calculation is only required if there is an increase in the test
269 year projected ADIT balances. Including my proposed adjustments from
270 pages 2 of Schedule 1.10 (V) &(W), and from Schedule 1.13 (V) to ADIT,
271 Vermilion and Woodhaven's ADIT projected balances decrease from
272 12/31/00 to 12/31/01, therefore proration is not required.

273

274 Q. Is an adjustment to deferred tax expense also required to reflect the impact
275 of your proposed ADIT adjustment?

276

277 A. Since the reduction in deferred tax expense is offset by the increase in
278 current tax expense, having no effect on income, these adjustments are not
279 included in my schedules for adjustments to operating income.

280

281 Materials and Supplies Adjustment

282 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.11 (K), (V), & (W),
283 Materials and Supplies Adjustment.

284

285 A. Schedule 1.11 (K), (V), & (W) presents my proposed adjustment to reduce
286 the Company's test year materials and supplies request by the amount of
287 accounts payable associated with the purchase of materials and supplies
288 inventory.

289

290 Q. Please explain your rationale for reducing rate base by the amount of
291 accounts payable associated with materials and supplies inventory.

292

293 A. The Company did not reduce its materials and supplies request by the
294 related accounts payable. CIWC's shareholders have not incurred any cost
295 when materials and supplies were purchased on account with a vendor. An
296 account payable represents "vendor financing" of purchased merchandise
297 until it has been paid in full. Since the vendor is financing these purchases
298 until paid, CIWC's shareholders have no investment in the related materials
299 and supplies. The materials and supplies request should be reduced by the
300 amount of accounts payable related to that inventory because the Company
301 should not earn a return on inventory until it has been funded by the investors.

302

303 Q. How did you establish the amount of accounts payable in the materials and
304 supplies inventory account?

305 A. The appropriate amount of accounts payable should be determined so that
306 the amount is representative of an entire year. An average of month end
307 balances for the test year in the related accounts payable would be the
308 preferred method used for this adjustment, because an average smoothes

309 out any fluctuations. However, in this case, CIWC stated that monthly
310 balances were not available (Schedule B-8.1, p.2.) After reviewing the test
311 year materials and supplies balances, I believe that one twelfth (1/12) would
312 be appropriate in this circumstance. This amount, assuming the Company
313 pays the bill in the following month, represents the accounts payable for the
314 materials and supplies purchased. I would certainly be willing to review
315 additional information regarding the monthly balances if the Company
316 provides them in rebuttal.

317

318 Q. Has the Commission accepted Staff's adjustment for accounts payable
319 related to materials and supplies in previous rate cases?

320

321 A. Yes, in prior orders, the Commission has found that a company's
322 shareholders have no investment in an inventory account until the related
323 account payable has been paid. Staff's adjustment was accepted by the
324 Commission in the Company's previous rate case for the Candlewick
325 Division, (Docket No. 99-0288). Also in other recent cases, Illinois Power
326 Company, (Docket No. 99-0120), Commonwealth Edison Company (Docket

327 No. 99-0117), and MidAmerican Energy Company (Docket No. 99-0534),
328 the Commission decided in favor of an accounts payable adjustment to
329 materials and supplies inventory.

330

331 Kankakee Add-On Tax Adjustment

332 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.12 (K), Kankakee Add-
333 On Tax Adjustment.

334

335 A. Schedule 1.12 (K) presents my proposed adjustment to operating income to
336 disallow the Kankakee City Franchise Fee from operating expenses. This
337 fee is a pass through add-on tax, and therefore should not be reflected in
338 operating revenues nor expenses.

339

340 Q. Have you also adjusted operating revenues?

341 A. No. Staff witness Thomas R. Stack (ICC Staff Exhibit 4.00) presents an
342 adjustment in his Schedule 4.01 to Staff's proposed operating revenues at
343 present revenues. His adjustment properly excludes the add-on tax revenue
344 from Staff's proposed present revenues.

345

346 Historical Plant Adjustment

347 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.13 (V), Vermilion
348 Historical Plant Adjustment.
349

350 A. Schedule 1.13 (V) presents my proposed adjustment to rate base to disallow
351 the amount of historical plant additions from 1997, 1998, and 1999 that the
352 Company could not support with verifying documentation. The adjustment
353 was based on the rate of error which occurred in testing a sample of
354 projects. I believe the sample as well as the adjustment to be reasonable. I
355 am continuing to review documentation the Company has only recently
356 provided, therefore my adjustment may change in rebuttal if additional plant
357 can be verified.
358

359 Recommendation # 1—Continuing Property Records Procedures

360 Q. What do you propose regarding Continuing Property Record ("CPR") update
361 procedures used by the Company?

362 A. I propose that the Commission recommend the Company implement uniform
363 procedures for updating the CPR for retirements on a more frequent basis,
364 as the Kankakee and Woodhaven Divisions already do, for all divisions.
365

366 Q. Has the Company accepted your recommendation?
367

368 A. Yes. In its response to Staff data request DLH-107, the Company indicated
369 it will change the procedure of booking retirements to the CPR quarterly,
370 rather than an annual basis. The Company also stated all retirements and
371 capital authorizations will now go through the CPR person in Vermillion to
372 improve the flow of information.

373

374 Recommendation # 2—Continuing Property Records Internal Audit

375 Q. What do you propose regarding an internal audit for the CPR?

376

377 A. I propose that the Commission recommend the Company conduct an
378 internal audit of its continuing property records and asset retirement
379 control system, to ensure procedures exist for on-going maintenance
380 of the records and accurate and timely recording of retirements. This
381 audit should be conducted within six months of the Commission order
382 in this case; or if the Infrastructure System improvement charge
383 ("ISIC") is approved in this case, the internal audit should be
384 completed prior to any future implementation of the ISIC. The report
385 should be forwarded to the Commission's Director of Accounting.

386

387 Q. What are your concerns regarding the Company's Continuing
388 Property Records?

389 A. In addition to being required to keep a current CPR system (see my
390 concerns in Other Matters below), the Company has requested
391 implementation of an Infrastructure System improvement charge.
392 Implementation of the charge will most likely require annual
393 reconciliations and substantial testing of the continuing property
394 records. If the records are not adequately maintained, the ISIC cannot
395 be properly implemented.

396

397

398 Recommendation # 3—Allocation of Corporate Assets

399 Q. What do you propose for future rate case filings by the Company?

400

401 A. I propose that the Commission recommend that the Company record the
402 Kankakee Corporate Office and the Vermilion Remittance Center in
403 separate corporate accounts. Then, when filing a rate case, the Company
404 would simply have to reflect each division's assets plus its allocated portion
405 of the Kankakee Corporate Office and the Vermilion Remittance Center.

406

407 Q. Did the Company's presentation of its corporate assets and related
408 divisional allocations cause any problems during Staff's analysis?

409

410 A. Yes. The Company reflected the entire cost of the Kankakee Corporate
411 Office and the Vermilion Remittance Center in total in Kankakee and
412 Vermilion's respective rate base schedules. Then allocations were made to
413 remove the portions of those assets which should be reflected in other
414 divisions.

415

416 Q. Did the Company treat depreciation expense for the Kankakee Corporate
417 Office and Vermilion Remittance Center in the same manner as plant in
418 service and accumulated depreciation?

419

420 A. No. The Company removed 100% of the depreciation expense for both
421 these offices from their respective depreciation expense line items and then
422 allocated back a portion of depreciation expense and recorded it on the
423 contractual services line. Please see my proposed adjustment at Schedules
424 1.09 (K), (V) & (W) for correction and further explanation of the effect of this
425 presentation by the Company.

426

427

428 Recommendation # 4—Original Cost Determination

429 Q. What do you propose regarding an original cost determination?

430

431 A. I propose the Commission conclude and make a finding in the Order in this
432 proceeding that the Company's 12/31/99 plant balances reflected in
433 Company Schedules B-5, Page 1 of 3, Column (C), are unconditionally
434 determined and approved for purposes of an original cost determination.
435

436 Q. What are the requirements for the preservation of plant records?

437 A. Requirements for preservation of records are set forth in 83 Ill. Admin. Code
438 615, The Preservation of Records of Water Utilities. Appendix A of Part 615
439 contains requirements for the preservation of specific records. For example,
440 journal vouchers and journal entries which support plant accounts are to be
441 maintained "7 years prior to date as of which original cost of plant has been
442 unconditionally determined or approved by this Commission in" an original
443 cost determination proceeding or a rate case.
444

445 Q. What are the total amounts of utility plant in service on Company Schedules
446 B-5?
447

448 A. The amounts are \$40,330,520 for the Kankakee Division, and \$3,768,340
449 for the Woodhaven Division. For the Vermillion Division, the amount is
450 calculated by starting with the B-5 plant amount, which is \$47,287,302, less

451 the amount of my proposed adjustment to the Historical Plant Additions on
452 my Schedule 1.13 V, Page 1 of 2, Column (B), Line 3.

453

454 Other Matters-Continuing Property Records

455 Q. The Company was ordered to update its Continuing Property Records and
456 implement an assets retirement control system as a result of the
457 Commission's order in Docket No. 99-0288. Please comment on the status
458 of the Company's CPR and assets retirements control system.

459

460 A. In response to Staff Data Request DLH-049, the Company indicated that all
461 three divisions would be in compliance by mid-June 2000. In my review of
462 the Kankakee and Woodhaven Divisions CPR, I noted that many year 2000
463 retirements had already been posted to the CPR, indicating that the records
464 are now being maintained routinely. However, review of the Vermilion
465 Division CPR revealed a different procedure of updating the CPR for
466 retirements only once per year. Therefore, while the Company's Schedule B-
467 4 properly reflects recording prior year retirements, the CPR for the
468 Vermilion Division does not. Please see my recommendation #1 regarding
469 recommended changes to this procedure.

470

471 Other Matters-Pro Forma Plant Additions

472 Q. Please describe your analysis of the Company's pro forma plant additions.

473

474 A. I have been monitoring and reviewing the year 2000 executed contracts as
475 well as expenditure levels to date, purchase orders, estimates, construction
476 schedules, and Company budgets.

477

478 Q. Please describe your concerns on the Vermilion Division pro forma
479 additions.

480 A. My concerns relate to the Company's progress on the Vermilion Nitrate
481 Plant. I reviewed all related contracts and expenditures to date through
482 6/30/00. At that time, approximately 34% of the budgeted amount had been
483 spent by the Company. The Company estimated that 40% of the
484 construction work was complete at that same time, and as of 7/31/00, 50%
485 was complete (per Company responses to Staff data requests DLH-105 and
486 DLH-106).

487

488 Q. Are you proposing any rate base or operating statement adjustments related
489 to the budgeted amount for the nitrate plant at this time?

490 A. No, however due to the magnitude of the project, I will continue to monitor the
491 expenditures and construction completion monthly, and reserve the right to

492 make an adjustment in my rebuttal testimony should the actual costs be
493 significantly lower than the estimated amount in the Company's filing.
494

495 Q. Please describe your concerns on the Woodhaven Division pro forma
496 additions.

497 A. My concerns relate to the Company's progress on its additions. However,
498 the Company has explained that since this is an RV community, and due to
499 the nature of the projects planned, construction cannot occur until fall.
500

501 Q. Are you proposing any rate base or operating statement adjustments related
502 to the Woodhaven additions at this time?

503 A. No, but I will continue to monitor the expenditures and construction progress,
504 and reserve the right to make an adjustment in my rebuttal testimony.
505

506 Q. Does this conclude your prepared direct testimony?

507 A. Yes, it does.

Consumers Illinois Water Company-Kankakee Division
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Company Pro Forma Present (B) (Sch. C-1/MP-C-1)	Staff Adjustments (C) (Sch. 1.02 K, p.2)	Staff Pro Forma Present (D) (Cols. B+C)	Company Proposed Increase (E) (Co. Sch. C-1)	Staff Gross Revenue Conversion Factor (F) (Sch. 1.02 K, p.2)	Proposed Rates with Staff Adjustments (G) (Cols. D+E+F)	Adjustment To Proposed Increase (H)	Staff Pro Forma Proposed (I) (Cols. G+H)	Revenue Change (J) (Col. I-D)	% Revenue Change (K) (J)
1	Operating Revenues	\$ 8,505,247	\$ (85,323)	\$ 8,419,924	\$ 1,625,808	1	\$ 10,045,733	\$ (572,751)	\$ 9,472,982	\$ 1,053,058	12.51%
2											
3	Total Operating Revenue	8,505,247	(85,323)	8,419,924	1,625,808	1	10,045,733	(572,751)	9,472,982	1,053,058	12.51%
4											
5	Uncollectible Accounts	66,439	(667)	65,772	12,700	1	78,473	(4,474)	73,999		
6	Salaries and Wages	1,537,239	-	1,537,239	-	-	1,537,239	-	1,537,239		
7	Employee Pension & Benefits	405,332	(4,513)	400,819	-	-	400,819	-	400,819		
8	Purchased Power & Fuel for Power Prod.	387,366	-	387,366	-	-	387,366	-	387,366		
9	Chemicals	287,252	-	287,252	-	-	287,252	-	287,252		
10	Materials & Supplies	148,910	-	148,910	-	-	148,910	-	148,910		
11	Contractual Services	1,571,451	(321,927)	1,249,524	-	-	1,249,524	-	1,249,524		
12	Lease Expense	28,422	-	28,422	-	-	28,422	-	28,422		
13	Transportation Expense	86,179	-	86,179	-	-	86,179	-	86,179		
14	Insurance Expense	122,433	(4,763)	117,670	-	-	117,670	-	117,670		
15	Regulatory Commission Exp. Amort.	152,333	(89,235)	63,098	-	-	63,098	-	63,098		
16	Depreciation Expense	1,145,723	103,966	1,249,689	-	-	1,249,689	-	1,249,689		
17	Amortization Expense	45,007	-	45,007	-	-	45,007	-	45,007		
18	Taxes Other than Income	549,041	(87,763)	461,258	-	-	461,258	-	461,258		
19	Miscellaneous Expense	59,708	(12,389)	47,319	-	-	47,319	-	47,319		
20	Total Operating Expense										
21	Before Income Taxes	6,592,835	(417,311)	6,175,524	12,700	1	6,188,225	(4,474)	6,183,751		
22											
23	State Income Tax	58,143	22,538	81,681	115,821	-	197,502	(40,802)	156,700		
24	Federal Income Tax	267,804	101,871	369,575	524,050	-	893,625	(184,616)	709,009		
25	Deferred Taxes and ITCs Net	(21,282)	-	(21,282)	-	-	(21,282)	-	(21,282)		
26	Total Operating Expenses	6,886,300	(292,802)	6,605,498	652,571	1	7,258,070	(229,892)	7,028,178		
27											
28	NET OPERATING INCOME	\$ 1,608,947	\$ 207,479	\$ 1,814,426	\$ 973,237	-	\$ 2,787,663	\$ (342,859)	\$ 2,444,804		
29											
30	Staff Rate Base									\$ 26,362,772	(1)
31											
32	Staff Overall Rate of Return										9.27% (2)

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03 K, Page 1, Column (D).
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Line No	Description	Interest Synchron-ization	Correction to Depreciation Expense	Kentakee Add-On Tax	Misc. Revenue	Insurance Expense	Allocation Change	Service Co. Billings	Incentive Compensation	Lobbying Expense	Subtotal
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	Operating Revenues	\$ -	\$ -	\$ -	\$ (85,323)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (85,323)
2		-	-	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	(85,323)	-	-	-	-	-	(85,323)
4		-	-	-	-	-	-	-	-	-	-
5	Uncollectible Accounts	-	-	-	(967)	-	-	-	-	-	(967)
6	Salaries and Wages	-	-	-	-	-	-	-	-	-	-
7	Employee Pension & Benefits	-	-	-	-	-	-	-	(4,513)	-	(4,513)
8	Purchased Power & Fuel for Power Prod.	-	-	-	-	-	-	-	-	-	-
9	Chemicals	-	-	-	-	-	-	-	-	-	-
10	Materials & Supplies	-	-	-	-	-	-	-	-	-	-
11	Contractual Services	-	(143,968)	-	-	-	-	(167,701)	-	(10,356)	(321,927)
12	Lease Expense	-	-	-	-	-	-	-	-	-	-
13	Transportation Expense	-	-	-	-	-	-	-	-	-	-
14	Insurance Expense	-	-	-	-	(4,763)	-	-	-	-	(4,763)
15	Regulatory Commission Exp. Amort.	-	-	-	-	-	-	-	-	-	-
16	Depreciation Expense	-	109,069	-	-	-	(5,103)	-	-	-	103,966
17	Amortization Expense	-	-	-	-	-	-	-	-	-	-
18	Taxes Other than Income	-	-	-	-	-	-	-	-	-	-
19	Miscellaneous Expense	-	-	(87,783)	-	-	-	-	-	-	(87,783)
20	Total Operating Expenses	-	-	-	-	-	-	-	-	-	-
21	Before Income Taxes	-	(34,769)	(87,783)	(667)	(4,763)	(5,103)	(167,701)	(4,513)	(10,356)	(315,687)
22		-	-	-	-	-	-	-	-	-	-
23	State Income Tax	(1,300)	2,489	6,303	(6,076)	342	366	12,041	324	744	15,241
24	Federal Income Tax	(9,982)	11,305	26,518	(27,502)	1,547	1,656	54,481	1,466	3,365	66,956
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(7,182)	(20,995)	(52,962)	(34,247)	(2,814)	(3,079)	(101,179)	(2,723)	(6,249)	(231,490)
27		-	-	-	-	-	-	-	-	-	-
28	NET OPERATING INCOME	7,182	20,995	52,962	(61,076)	2,874	3,079	101,179	2,723	6,249	148,167

Consumers Illinois Water Company-Kankakee Division
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Subtotal (L)	Regulatory Commission Exp. (ICC St. Ex 2.00 Sch. 2.03 K) (M)	Social & Service Club Dues (ICC St. Ex 2.00 Sch. 2.04 K) (N)	Selling, Adv. & Misc Sales Exp. (ICC St. Ex 2.00 Sch. 2.05 K) (O)	(Source) (P)	(Source) (Q)	(Source) (R)	(Source) (S)	(Source) (T)	Total (U)
1	Operating Revenues	\$ (85,323)									\$ (85,323)
2											
3	Total Operating Revenue	(85,323)	-	-	-	-	-	-	-	-	(85,323)
4											
5	Uncollectible Accounts	(667)	-	-	-	-	-	-	-	-	(667)
6	Salaries and Wages	-	-	-	-	-	-	-	-	-	-
7	Employee Pension & Benefits	(4,513)	-	-	-	-	-	-	-	-	(4,513)
8	Purchased Power & Fuel for Power Prod.	-	-	-	-	-	-	-	-	-	-
9	Chemicals	-	-	-	-	-	-	-	-	-	-
10	Materials & Supplies	-	-	-	-	-	-	-	-	-	-
11	Contractual Services	(321,927)	-	-	-	-	-	-	-	-	(321,927)
12	Lease Expense	-	-	-	-	-	-	-	-	-	-
13	Transportation Expense	-	-	-	-	-	-	-	-	-	-
14	Insurance Expense	(4,763)	-	-	-	-	-	-	-	-	(4,763)
15	Regulatory Commission Exp. Amort.	-	(89,235)	-	-	-	-	-	-	-	(89,235)
16	Depreciation Expense	103,966	-	-	-	-	-	-	-	-	103,966
17	Amortization Expense	-	-	-	-	-	-	-	-	-	-
18	Taxes Other than Income	(87,763)	-	-	-	-	-	-	-	-	(87,763)
19	Miscellaneous Expense	-	-	(3,045)	(9,344)	-	-	-	-	-	(12,389)
20	Total Operating Expense	-	-	(3,045)	(9,344)	-	-	-	-	-	(12,389)
21	Before Income Taxes	(315,667)	(89,235)	(3,045)	(9,344)	-	-	-	-	-	(417,311)
22											
23	State Income Tax	15,241	6,407	219	671	-	-	-	-	-	22,538
24	Federal Income Tax	68,956	28,990	989	3,036	-	-	-	-	-	101,971
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(231,460)	(53,836)	(1,837)	(5,637)	-	-	-	-	-	(292,802)
27											
28	NET OPERATING INCOME	\$ 146,167	\$ 53,838	\$ 1,837	\$ 5,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207,479

Consumers Illinois Water Company-Kankakee Division
Rate Base
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Company Pro Forma (CIWC Sch. B-1) (B)	Staff Adjustments (ICC St. Ex 1.00 Sch 1.04 K) (C)	Staff Pro Forma (Col B+C) (D)
1	Gross Utility Plant in Service	\$ 48,244,581	\$ (57,473)	\$ 48,187,108
2	(Less) Accum. Depr. and Amort.	(12,602,173)	6,468	(12,595,705)
3	Net Plant	35,642,408	(51,005)	35,591,403
4				
5	Additions to Rate Base:			
6	Property Held For Future Use	172,212	-	172,212
7	Deferred Charges	276,012	-	276,012
8	Materials and Supplies	241,286	(20,107)	221,179
9	Cash Working Capital	639,459	(53,922)	585,537
10	Amort. of Contributions in Aid of Constr.	1,507,217	-	1,507,217
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16		-	-	-
17	Deductions from Rate Base:			
18	FAS 87 Pension	(138,472)	-	(138,472)
19	Customer Advances	(516,931)	-	(516,931)
20	Contributions in Aid of Construction	(8,550,060)	-	(8,550,060)
21	Deferred Income Taxes	(2,829,906)	44,582	(2,785,324)
22		-	-	-
23		-	-	-
24		-	-	-
25		-	-	-
26		-	-	-
27	Rate Base	\$ 26,443,225	\$ (80,453)	\$ 26,362,772

Consumers Illinois Water Company-Kankakee Division
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Working Capital (ICC St. Ex 1.00 Sch. 1.08 K)	ADIT (ICC St. Ex 1.00 Sch. 1.10 K)	Materials & Supplies (ICC St. Ex 1.00 Sch. 1.11 K)	Allocation Change (ICC St. Ex 3.00 Sch. 3.01)	Incentive Compensation (ICC St. Ex 2.00 Sch. 2.01 K)	(Source) (g)	(Source) (h)	(Source) (i)	(Source) (j)	Total (k)
1	Gross Utility Plant in Service				\$ (57,004)	\$ (469)					(57,473)
2	(Less) Accum. Depr. and Amort.				6,468						6,468
3	Net Plant				(50,536)	(469)					(51,005)
4											
5	Additions to Rate Base:										
6	Property Held For Future Use										
7	Deferred Charges										
8	Materials and Supplies			(20,107)							(20,107)
9	Cash Working Capital	(53,922)									(53,922)
10	Amort. of Contributions in Aid of Constr.										
11											
12											
13											
14											
15											
16											
17	Deductions from Rate Base:										
18	FAS 87 Pension										
19	Customer Advances										
20	Contributions in Aid of Construction		44,582								44,582
21	Deferred Income Taxes										
22											
23											
24											
25											
26											
27	Rate Base	\$ (53,922)	\$ 44,582	\$ (20,107)	\$ (50,536)	\$ (469)					\$ (80,453)

Consumers Illinois Water Company-Kankakee Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 K
Page 1 of 3

Line No	Description (A)	Effect at Company ROR (B)	Effect of Staff ROR (C)	Effect of Interest Synch. (D)	Rounding (E)	TOTAL REVENUE EFFECT (F)
1	Company Proposed Increase					\$ 1,625,808 (1)
2	Staff Rate of Return applied to COMPANY RATE BASE		(213,690)			(213,690)
3	Return on Equity	9.27% (2) 10.15% (2)				
4	Staff Adjustments - Total RATE BASE (from Page 2 of 3)	(13,114)	650	2,243	-	(10,221)
5						
6	Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3)					(348,840)
7						
8	Revenue Conversion Factor Adjustment					1
9						
10	Rounding					-
11						
12	Total Effect of Staff Proposals					(572,750)
13						
14						
15	Staff Proposed Change to Revenues					\$ 1,053,058 (3)
16						
17						
18	Rounding (Memo Only)					- (Memo Only)
19						
20	Staff Rate of Return applied to STAFF RATE BASE (Memo Only)					\$ (213,040) (Memo Only)

- (1) Source: Company Schedule C-1, Line 1, Column (F)
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: ICC Staff Exhibit 1.00, Schedule 1.01 K, Column (J).

Consumers Illinois Water Company-Kankakee Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 K
Page 2 of 3

Line No	Description (A)	Exhibit (B)	Effect at Company ROR (1)	Effect Of Staff ROR (2)	Effect of Interest Synch. (3)	Rounding (F) (4)	TOTAL REVENUE EFFECT (5)	Line No
1	Staff Adjustments - RATE BASE							1
2	Working Capital	ICC Staff Exhibit 1.00, Sch 1.08 K	\$ (8,789)	\$ 436	\$ 1,503	\$ -	\$ (6,850)	2
3	ADIT	ICC Staff Exhibit 1.00, Sch 1.10 K	7,267	(360)	(1,243)	-	5,664	3
4	Materials & Supplies	ICC Staff Exhibit 1.00, Sch 1.11 K	(3,277)	162	561	-	(2,554)	4
5	Allocation Change	ICC Staff Exhibit 3.00, Sch 3.01	(8,237)	408	1,409	-	(6,420)	5
6	Incentive Compensation	ICC Staff Exhibit 2.00, Sch 2.01 K	(76)	4	13	(1)	(60)	6
7			-	-	-	-	-	7
8			-	-	-	-	-	8
9			-	-	-	-	-	9
10			-	-	-	-	-	10
11			-	-	-	-	-	11
12			-	-	-	-	-	12
13			-	-	-	-	-	13
14			-	-	-	-	-	14
15			-	-	-	-	-	15
16			-	-	-	-	-	16
17			-	-	-	-	-	17
18			-	-	-	-	-	18
19			-	-	-	-	-	19
20			-	-	-	-	-	20
21			-	-	-	-	-	21
22			-	-	-	-	-	22
23			-	-	-	-	-	23
24			-	-	-	-	-	24
25			-	-	-	-	-	25
26			-	-	-	-	-	26
27			-	-	-	-	-	27
28	Subtotal		(13,112)	650	2,243	(1)	(10,220)	28
29	Rounding		(2)	-	-	1	(1)	29
30	Total Revenue Effect of Rate Base Adjustments		\$ (13,114)	\$ 650	\$ 2,243	\$ -	\$ (10,221)	30

- (1) Source: Adjustment x Co. ROR x Staff GRCE.
(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCE.
(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCE.
(4) Source: Adjustment x Staff After Tax ROR x Staff GRCE.

Consumers Illinois Water Company-Kankakee Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 K
Page 3 of 3

Line No	Description (A)	Exhibit (B)	TOTAL REVENUE EFFECT (C)	Remove Rate Base Portion (D)	Operating Statement Portion (C+D) (E)	Line No
1	Staff Adjustments - Operating Statement					1
2	Interest Synchronization	ICC Staff Exhibit 1.00, Sch 1.06 K	\$ (11,996)	\$ (2,243)	\$ (14,241)	2
3	Correct Depreciation Expense	ICC Staff Exhibit 1.00, Sch 1.09 K	(35,073)	-	(35,073)	3
4	Kankakee Add-On Tax	ICC Staff Exhibit 1.00, Sch 1.12 K	(88,474)	-	(88,474)	4
5	Misc. Revenues	ICC Staff Exhibit 4.00, Sch 4.01	85,323	-	85,323	5
6	Insurance Expense	ICC Staff Exhibit 3.00, Sch 3.02	(4,801)	-	(4,801)	6
7	Allocation Change	ICC Staff Exhibit 3.00, Sch 3.01	(5,144)	-	(5,144)	7
8	Service Co. Billings	ICC Staff Exhibit 3.00, Sch 3.03	(169,021)	-	(169,021)	8
9	Incentive Compensation	ICC Staff Exhibit 2.00, Sch 2.01 K	(4,549)	-	(4,549)	9
10	Lobbying Expense	ICC Staff Exhibit 2.00, Sch 2.02 K	(10,439)	-	(10,439)	10
11	Regulatory Commission Exp.	ICC Staff Exhibit 2.00, Sch 2.03 K	(89,937)	-	(89,937)	11
12	Social & Service Club Dues	ICC Staff Exhibit 2.00, Sch 2.04 K	(3,069)	-	(3,069)	12
13	Selling, Adv., & Misc. Sales Exp.	ICC Staff Exhibit 2.00, Sch 2.05 K	(9,417)	-	(9,417)	13
14			-	-	-	14
15			-	-	-	15
16			-	-	-	16
17			-	-	-	17
18			-	-	-	18
19			-	-	-	19
20			-	-	-	20
21			-	-	-	21
22			-	-	-	22
23			-	-	-	23
24			-	-	-	24
25			-	-	-	25
26			-	-	-	26
27			-	-	-	27
28	Column Subtotal		\$ (346,599)	\$ (2,243)	(348,842)	28
29						29
30	Rounding				2	30
31						31
32	Total Revenue Effect of Operating Statement Adjustments				\$ (348,840)	32

(1) Source: Adjustment x Staff GRCF.
(2) Source: Schedule 1.05 K, Page 2 of 3, Column (E), Line 30.

Consumers Illinois Water Company-Kankakee Division
 Interest Synchronization Adjustment
 For the Test Year Ended December 31, 2001
 In Dollars

Line No	Description (A)	Amount (B)
1	Staff Rate Base	\$ 26,362,772 (1)
2	Weighted Cost of Debt	4.2073% (2)
3	Synchronized Interest per Staff	1,109,161
4	Company Interest Expense	1,091,054 (3)
5	Increase (Decrease) in Interest Expense (Line 3 - Line 4)	\$ 18,107
6	Increase (Decrease) in State Income Tax Expense (Line 5 * 7.18%)	\$ (1,300)
7	Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 35%)	\$ (5,882)

- (1) Source: ICC Staff Exhibit 1.00, Schedule 1.03 K, Column (D).
 (2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
 (3) Source: Company Schedule C-5.4

Consumers Illinois Water Company-Kankakee Division
Gross Revenue Conversion Factor
For the Test Year Ended December 31, 2001

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.07 K
Page 1 of 2

Line No	Description (A)	Rate (B)	Per Company (C)	Per Staff With Bad Debts (D)	Per Staff Without Bad Debts (E)
1	Revenues			1.000000	
2	Uncollectibles	0.7812%		<u>0.007812</u>	
3	State Taxable Income			0.992188	1.000000
4	State Income Tax	7.18%		<u>0.071239</u>	<u>0.071800</u>
5	Federal Taxable Income			0.920949	0.928200
6	Federal Income Tax	35.00%		<u>0.322332</u>	<u>0.324870</u>
7	Operating Income			<u>0.598617</u>	<u>0.603330</u>
8	Gross Revenue Conversion Factor Per Staff			<u>1.670517</u>	<u>1.657468</u>
9	Company Proposed Revenue Increase		<u>\$ 1,625,808</u>		
10	Company Proposed Operating Income Increase		<u>\$ 973,237</u>		
11	Gross Revenue Conversion Factor Per Company		<u>1.670516</u>		

Consumers Illinois Water Company-Kankakee Division
Gross Revenue Conversion Factor
For the Test Year Ended December 31, 2001

Docket Nos. 00-0337/00-0338/
ICC Staff Exhibit 1.00
Schedule 1.07 K
Page 2 of 2

Line No.	(A)	Company Proposed Increase (1) (B)	Staff GRCE (2) (C)	Gross Revenue Per Staff (3) (D)	Staff Uncollectible Conversion Factor (4) (E)	Staff State Tax Conversion Factor (5) (F)	Staff Federal Tax Conversion Factor (6) (G)	Amount Per Staff GRCE (D*E*F*G) (H)	Company Proposed Increase (7) (I)	Adjustment (J)
1	Tariffed Revenue Conversion	\$ 973,237	1,670,517	\$ 1,625,809				\$ 1,625,809	\$ 1,625,808	\$1
2	Uncollectible Conversion			1,625,809	0.7812%			12,701	12,700	1
3	State Tax Conversion			1,625,809		7.18%		115,821	115,821	0
4	Federal Tax Conversion			1,625,809			35.00%	524,050	524,050	0

- (1) Source: ICC Staff Exhibit 1.00, Schedule 1.01 K, page 1, Line 28, Column (E)
 (2) Source: ICC Staff Exhibit 1.00, Schedule 1.07 K, page 1, Line 8, Column (D)
 (3) Source: Line 1, Column (B) x Line 1 Column (C)
 (4) Source: ICC Staff Exhibit 1.00, Schedule 1.07 K, page 1, Line 2, Column (B)
 (5) Source: ICC Staff Exhibit 1.00, Schedule 1.07 K, page 1, Line 4, Column (B)
 (6) Source: ICC Staff Exhibit 1.00, Schedule 1.07 K, page 1, Line 6, Column (B)
 (7) Source: ICC Staff Exhibit 1.00, Schedule 1.01 K, page 1, Column (E)

Consumers Illinois Water Company-Kankakee Division
Working Capital Adjustment
For the Test Year Ended December 31, 2001

Line No	Description (A)	Amount (B)	Staff Adjustment (C)	Source (D)
1	Total Operating Expenses (Pre Income Tax)	\$ 6,183,751		(1)
2	Less:			
3	Uncollectible Accounts Expense	73,999		(2)
4	Annual Amortization of Rate Case Expense	63,088		(3)
5	Depreciation Expense	1,248,689		(4)
6	Real Estate Tax Expense	<u>112,689</u>		(5)
7	Operating Expenses Requiring Working Capital	\$ 4,684,286		Line 1 minus the sum of Lines 3 through 6
8	45(leg days)/360 (30 day month year)	<u>12.50%</u>		
9	Total Cash Working Capital Per Staff	\$ 585,537		Line 7 multiplied by Line 8
10	Total Cash Working Capital Per Company	<u>639,459</u>		(6)
11	Adjustment to Cash Working Capital	\$ <u>(53,922)</u>		Line 9 minus Line 10

(1) Source: Schedule 1.01 K, Column (I), Line 21

(2) Source: Schedule 1.01 K, Column (I), Line 5

(3) Source: Schedule 1.01 K, Column (I), Line 15

(4) Source: Schedule 1.01 K, Column (I), Line 16

(5) Source: Company Schedule B-2.3, Line 6

(6) Source: Company Schedule B-1, Column (E), Line 11

Consumers Illinois Water Company-Kankakee Division
Correction to Depreciation Expense Adjustment
For the Test Year Ended December 31, 2001

Docket Nos. 00-0337/00-0338/
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ICC Staff Exhibit 1.00
Schedule 1.09 K
Page 1 of 2

Line No.	Adjustment (A)	Amount (B)	Source (C)
1	Depreciation Expense Allowed in Contractual Services per Staff	\$0	
2	Depreciation Expense Allowed in Contractual Services per Company	<u>143,868</u>	Company response to Staff data request Field 5
3			
4	Staff Proposed Adjustment to Contractual Services	<u>(\$143,868)</u>	
5			
6	Depreciation Expense per Staff	\$1,254,792	Schedule 1.09 K, Page 2 of 2, Column (E), Line 41
7	Depreciation Expense per Company	<u>1,145,723</u>	Schedule 1.09 K, Page 2 of 2, Column (G), Line 46 and Schedule C-1, Line 4
8			
9	Staff Proposed Adjustment to Depreciation Expense	<u>\$109,069</u>	
10			

Consumers Illinois Water Company-Kankakee Division
Correction to Depreciation Expense Adjustment
For the Test Year Ended December 31, 2001

Line	Account Number	Account Description	Company Proposed Ave. Future Test Year (1) (C)	Staff Proposed Depreciation Rates (2) & (5) (D)	Staff Proposed Deprec. Exp. C'D (E)	Company Proposed Depreciation Rates (3) (F)	Company Proposed Deprec. Exp. C'D (G)
1		Source of Supply Plant					
2	304	Structures and Improvements	\$18,728	4.17%	\$781	4.17%	\$781
3	305	Collecting & Impounding Res.	0	1.50%	0	1.50%	0
4	306	Lake, River and Other Intakes	94,131	1.47%	1,384	1.47%	1,384
5	307	Wells and Springs	28,915	1.67%	483	1.67%	483
6	309	Supply Mains	0	1.89%	0	1.89%	0
7							
8		Pumping Plant					
9	304	Structures and Improvements	526,353	2.27%	11,948	2.27%	11,948
10	310	Power Generating Equipment	248,324	3.33%	8,269	3.33%	8,269
11	311	Electric Pumping Equipment	535,535	3.13%	16,762	3.13%	16,762
12		Water Treatment Plant					
13	304	Structures and Improvements	2,986,480	2.78%	83,024	2.78%	83,024
14	320	Water Treatment Equipment	3,076,205	3.57%	109,821	3.57%	109,821
15							
16		Transmission & Dist. Plant					
17	304	Structures and Improvements	265,610	4.17%	11,076	4.17%	11,076
18	330	Dist. Reservoirs & Standpipes	2,395,692	1.67%	40,008	1.67%	40,008
19	331	T & D Mains	21,236,082	1.89%	401,362	1.89%	401,362
20	333	Services	7,786,055	3.33%	259,276	3.33%	259,276
21	334	Meters	2,033,953	6.21%	126,308	6.21%	126,308
22	334	Meter Installations	1,383,529	4.44%	61,429	4.44%	61,429
23	335	Hydrants	2,117,020	3.95%	83,622	3.95%	83,622
24	339	Other Plant & Misc. Equipment	0	5.46%	0	5.46%	0
25		General Plant					
26	304	Structures and Improvements	595,454	4.00%	23,818	4.00%	23,818
27	344	Laboratory Equipment	84,889	5.00%	4,244	5.00%	4,244
28	340	Office Furniture and Equipment	280,498	4.74%	13,298	4.74%	13,298
29	340	Data Processing Equipment	401,635	3.54%	14,218	20.00%	80,327
30	342	Stores Equipment	830	3.28%	27	3.28%	27
31	345	Power Equipment	220,760	5.00%	11,038	5.00%	11,038
32	346	Communication Equipment	229,551	12.50%	28,694	12.50%	28,694
33	347	Miscellaneous Equipment	0	5.46%	0	5.46%	0
34	341	Transportation Equipment	693,542	10.77%	74,694	10.77%	74,694
35	343	Tools, Shop and Garage Equip.	421,441	7.31%	30,807	7.31%	30,807
36							
37			<u>\$47,661,108</u>		<u>\$1,416,388</u>		<u>\$1,482,497</u>
38							
39	331	Less: Contributions In Aid of Construction:	<u>(8,550,060)</u>	1.89%	<u>(161,596)</u>	1.89%	<u>(161,596)</u>
40							
41		Total Depreciation Expense (Line 37 + Line 39)	<u>\$39,111,048</u>		<u>\$1,254,792</u>		<u>\$1,320,901</u>
42							
43		Less Corporate Depreciation Expense Adjustment per Company	(4)				<u>(175,178)</u>
44							
45		Total Depreciation Expense Per Company					<u>\$ 1,145,723</u>
46							
47							
48							

(1) Per Company Schedule B-4, Column (G)

(2) Except for Account 340 Data Processing Equipment (see Note 5), per Company Exhibit B.1, Schedule 2, Page 2 of 2, Column (F)

(3) Per Company Exhibit B.1, Schedule 2, Page 2 of 2, Column (F)

(4) Per Company Response to Staff Data Request DLH-017

(5) Account 340, Data Processing Equipment rate is reflected at the Company's composite rate per Company Schedule C-12, Col (D), Line 41

Consumers Illinois Water Company-Kankakee Division
Accumulated Deferred Income Taxes Adjustment
For the Test Year Ended December 31, 2001

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ICC Staff Exhibit 1.00
Schedule 1.10 K
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Line	Description	Amount			
	(A)	(B)			
1	ADIT Per Staff	(\$2,785,324)	Schedule 1.10 K, Page 3 of 3, Line 36		
2					
3	ADIT Per Company	(2,829,906)	Company Schedule B-1, Column (E), Line 18		
4					
5	Staff Proposed Adjustment	\$44,582			
6					
7	Proof of Adjustment:	12/31/00 Amount	12/31/01 Amount	Average Amount	
8		(B)	(C)	(D)	
9	Per Company	(\$2,745,682)	(\$2,861,001)	(\$2,803,332)	Schedule B-9, Page 4 of 4, Columns (H) & (J)
10	Correction	0	(26,574)	(\$13,287)	Schedule 1.10 K, Page 2 of 3
11	Protraction	0	62,588	31,284	Schedule 1.10 K, Page 3 of 3
12	Per Staff	(\$2,745,682)	(\$2,824,987)	(\$2,785,324)	

Consumers Illinois Water Company-Kankakee Division
Accumulated Deferred Income Taxes Adjustment
For the Test Year Ended December 31, 2001

Docket Nos. 00-0337/00-0338/
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ICC Staff Exhibit 1.00
Schedule 1.10 K
Page 2 of 3

Line	Description	12/31/00 Amount	12/31/01 Amount	Calculated Average Amount	Source
	(A)	(B)	(C)	(D)	(E)
1	Correction of Company Error:				
2	ADIT Balance Per Company	(\$2,745,662)	(\$2,861,001)	(\$2,803,332)	Schedule B-9, Page 4 of 4, Columns (H) & (J)
3	Staff Corrected Adjustment for New Depreciation Rates	0	(26,574)	(13,287)	Schedule B-2.4, Column (D), Line 26
4	Corrected ADIT Balance Per Company	(\$2,745,662)	(\$2,887,575)	(\$2,816,619)	

Consumers Illinois Water Company-Kankakee Division
Accumulated Deferred Income Taxes Adjustment
For the Test Year Ended December 31, 2001

Docket Nos. 00-0337/00-0338/
00-0338 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.10 K
Page 3 of 3

Line	(A) Assumptions	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
1	Statutory Effective Date of New Rates	03/10/2001												
2	Beginning Date for Calculation Using Proration	03/10/2001												
3														
4	Days in Month Prior to Proration	31	28	10	0	0	0	0	0	0	0	0	0	69
5	Days in Month Used for Proration	0	0	21	30	31	30	31	31	30	31	30	31	296
6	Total Days in Month	31	28	31	30	31	30	31	31	30	31	30	31	365
7	Days From Last Day of Month To Year End			276	246	215	165	154	123	93	62	32	1	
8	Total Days of Proration (Line 6 Col N)			296	296	296	296	296	296	296	296	296	296	
9	Proration Ratio (Line 9 / Line 10)	100.00%	100.00%	93.24%	83.11%	72.64%	62.50%	52.03%	41.55%	31.42%	20.85%	10.81%	0.34%	
10														
11														
12														
13														
14	12/31/00 Accumulated Deferred Income Taxes per Staff													
15	12/31/01 Accumulated Deferred Income Taxes per Staff													
16	Test Year Addition to ADIT													
17	Monthly Addition to ADIT													
18														
19														
20														
21	Allowable Monthly ADIT (Line 18 * Line 12) (except for March-see Lines 23-27)													
22														
23	March Additions Prior to Proration Period- (Line 18/Line 7 Col D) * Line 5 Col D													
24	March Additions Subject to Proration- (Line 18/Line 7 Col D) * Line 6 Col D													
25	March Additions Subject to Proration * March Proration Ratio (Line 12)													
26														
27	Total Allowable ADIT for March (Line 23 + Line 25)													
28														
29														
30	Total ADIT Allowable (Line 21 Col N)													
31														
32	12/31/00 Accumulated Deferred Income Taxes per Staff													
33	12/31/01 Prorated Balance (Line 30 + Line 32)													
34														
35	Average of 12/31/01 Balance & Prorated Balance													
36														
37	(Line 32 + Line 34/ 2)													

Summary:
Total ADIT Allowable (Line 21 Col N) (\$79,325)
Test Year Addition to ADIT (Line 17 Col B) (\$141,913)
Difference \$62,588 To Sch. 1.10 K, p.1

Consumers Illinois Water Company-Kankakee Division
Materials and Supplies Adjustment
For the Test Year Ended December 31, 2001

Line No.	Adjustment (A)	Amount (B)	Source (C)
1	Materials and Supplies Test Year Balance per Company	\$241,286	(1)
2	Average Monthly Balance	20,107	Line 1 divided by 12 months
3	Materials and Supplies Accounts Payable Per Staff	(20,107)	Line 2
4	Materials and Supplies Accounts Payable Per Company	0	(2)
5	Adjustment to Rate Base	<u>\$ (20,107)</u>	Line 10 minus Line 9

(1) Source: Company Schedule B-1, Column (E), Line 10
(2) Source: Company Schedule B - 8.1, Page 2

Consumers Illinois Water Company-Kankakee Division
Kankakee Add-On Tax Adjustment
For the Test Year Ended December 31, 2001

Line No.	Adjustment (A)	Amount (B)	Source (C)
1	Kankakee City Franchise Fee per Staff	\$0	
2	Kankakee City Franchise Fee per Company	87,783	(1)
3			
4	Staff Proposed Adjustment	\$ (87,783)	
5			

(1) Source: Company response to Staff data request TRS-1.07

Consumers Illinois Water Company-Ventilation Division
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Company Pro Forma Present (Sch. C-1/VP-C-1) (B)	Staff Adjustments (Sch. 1.02 V, D.2) (C)	Staff Pro Forma Present (Cons. B+C) (D)	Company Proposed Increase (Co. Sch. C-1) (E)	Staff Gross Revenue Conversion Factor (Sch. 1.07 V, D.2) (F)	Proposed Rates with Staff Adjustments (Cols. D+E+F) (G)	Adjustment To Proposed Increase (H)	Staff Pro Forma Proposed (Cols. G+H) (I)	Revenue Change (Col. I-D) (J)	% Revenue Change (J) (K)
1	Operating Revenues	\$ 8,989,385	\$ 24,308	\$ 9,013,693	\$ 1,955,362	(1)	\$ 10,969,054	\$ (716,047)	\$ 10,253,007	\$ 1,239,314	13.75%
2											
3	Total Operating Revenue	8,989,385	24,308	9,013,693	1,955,362	(1)	10,969,054	(716,047)	10,253,007	1,239,314	13.75%
4											
5	Uncollectible Accounts	83,755	226	83,981	18,218	-	102,199	(6,671)	95,528		
6	Salaries and Wages	1,155,921	-	1,155,921	-	-	1,155,921	-	1,155,921		
7	Employee Pension & Benefits	313,720	(3,496)	310,224	-	-	310,224	-	310,224		
8	Purchased Power & Fuel for Power Prod.	355,151	-	355,151	-	-	355,151	-	355,151		
9	Chemicals	248,926	-	248,926	-	-	248,926	-	248,926		
10	Materials & Supplies	127,344	-	127,344	-	-	127,344	-	127,344		
11	Contractual Services	1,172,261	(262,878)	909,383	-	-	909,383	-	909,383		
12	Lease Expense	30,273	-	30,273	-	-	30,273	-	30,273		
13	Transportation Expense	39,349	-	39,349	-	-	39,349	-	39,349		
14	Insurance Expense	117,410	(4,567)	112,843	-	-	112,843	-	112,843		
15	Regulatory Commission Exp. Amort.	59,344	(10,430)	48,914	-	-	48,914	-	48,914		
16	Depreciation Expense	1,507,826	70,038	1,577,864	-	-	1,577,864	-	1,577,864		
17	Amortization Expense	82,405	-	82,405	-	-	82,405	-	82,405		
18	Taxes Other than Income	634,006	-	634,006	-	-	634,006	-	634,006		
19	Miscellaneous Expense	32,311	(10,716)	21,595	-	-	21,595	-	21,595		
20	Total Operating Expense										
21	Before Income Taxes	5,960,002	(221,823)	5,738,179	18,218	-	5,756,397	(6,671)	5,749,726		
22											
23	State Income Tax	107,466	18,980	126,446	139,087	-	265,533	(50,933)	214,600		
24	Federal Income Tax	486,246	85,882	572,128	628,320	(1)	1,201,447	(230,455)	970,992		
25	Deferred Taxes and ITCs Net	(24,554)	-	(24,554)	-	-	(24,554)	-	(24,554)		
26	Total Operating Expenses	6,529,160	(116,961)	6,412,199	788,625	(1)	7,199,823	(288,059)	6,910,764		
27											
28	NET OPERATING INCOME	\$ 2,460,225	\$ 141,289	\$ 2,601,494	\$ 1,168,737	-	\$ 3,770,231	\$ (427,888)	\$ 3,342,243		
29											
30	Staff Rate Base									\$ 36,040,012	(1)
31											
32	Staff Overall Rate of Return										9.27% (2)

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03 V, Page 1, Column (D).
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Consumers Illinois Water Company-Ventilation Division
Adjustments to Operating Income
For the Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0338 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.02 V
Page 1 of 2

Line No	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	Operating Revenues											
2						24,308						24,308
3	Total Operating Revenue					24,308						24,308
4												
5	Uncollectible Accounts					226						226
6	Salaries and Wages											
7	Employee Pension & Benefits									(3,486)		(3,486)
8	Purchased Power & Fuel for Power Prod.											
9	Chemicals											
10	Materials & Supplies											
11	Contractual Services		(114,387)						(140,256)			(252,879)
12	Lease Expenses											
13	Transportation Expense											
14	Insurance Expense						(4,567)					(4,567)
15	Regulatory Commission Exp. Amort.											
16	Depreciation Expense		118,295		(44,166)			(4,089)				70,038
17	Amortization Expense											
18	Taxes Other than Income											
19	Miscellaneous Expense											
20	Total Operating Expense											
21	Before Income Taxes		3,908	(44,166)	226	(4,567)	(4,089)	(140,256)	(3,486)	(8,235)	(200,677)	
22												
23	State Income Tax	1,309	(281)	3,171	1,729	328	294	10,070	251	591	17,462	
24	Federal Income Tax	5,922	(1,270)	14,349	7,824	1,484	1,328	45,565	1,136	2,075	78,013	
25	Deferred Taxes and ITCs Net											
26	Total Operating Expenses	7,231	2,357	(26,648)	9,779	(2,755)	(2,467)	(94,621)	(2,109)	(4,969)	(104,202)	
27												
28	NET OPERATING INCOME	(7,231)	(2,357)	26,648	14,529	2,755	2,467	84,621	2,109	4,969	128,510	

Consumers Illinois Water Company-Vermilion Division
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Subtotal (L)	Regulatory Commission Exp. (ICC St. Ex 2.00 Sch. 2.03 V) (M)	Social & Service Club Dues (ICC St. Ex 2.00 Sch. 2.04 V) (N)	Selling, Adv. & Misc Sales Exp. (ICC St. Ex 2.00 Sch. 2.05 V) (O)	(P) (Source)	(Q) (Source)	(R) (Source)	(S) (Source)	(T) (Source)	Total (U)
1	Operating Revenues	\$ 24,308									\$ 24,308
2											
3	Total Operating Revenue	24,308									24,308
4											
5	Uncollectible Accounts	226									226
6	Salaries and Wages	-									-
7	Employee Pension & Benefits	(3,496)									(3,496)
8	Purchased Power & Fuel for Power Prod.	-									-
9	Chemicals	-									-
10	Materials & Supplies	-									-
11	Contractual Services	(262,878)									(262,878)
12	Lease Expense	-									-
13	Transportation Expense	-									-
14	Insurance Expense	(4,567)									(4,567)
15	Regulatory Commission Exp. Amort.	-	(10,430)								(10,430)
16	Depreciation Expense	70,038									70,038
17	Amortization Expense	-									-
18	Taxes Other than Income	-									-
19	Miscellaneous Expense	-									-
20	Total Operating Expense	-		(3,106)	(7,610)						(10,716)
21	Before Income Taxes	(200,677)	(10,430)	(3,106)	(7,610)						(221,823)
22											
23	State Income Tax	17,462	749	223	546						18,980
24	Federal Income Tax	79,013	3,388	1,009	2,472						85,862
25	Deferred Taxes and ITCs Net	-	-	-	-						-
26	Total Operating Expenses	(104,202)	(6,293)	(1,874)	(4,592)						(116,961)
27											
28	NET OPERATING INCOME	\$ 128,510	\$ 6,293	\$ 1,874	\$ 4,592						\$ 141,268

Consumers Illinois Water Company-Vermilion Division
Rate Base
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Company Pro Forma (Sec. 285.2005, Sch. B-1) (B)	Staff Adjustments (ICC St. Ex 1.00 Sch. 1.04 V) (C)	Staff Pro Forma (Col B+C) (D)
1	Gross Utility Plant in Service	\$ 55,716,636	\$ (1,554,803)	\$ 54,161,833
2	(Less) Accum. Depr. and Amort.	(13,673,561)	376,926	(13,296,635)
3	Net Plant	42,043,075	(1,177,877)	40,865,198
4				
5	Additions to Rate Base:			
6	Property Held For Future Use	-	-	-
7	Deferred Charges	638,916	-	638,916
8	Materials and Supplies	117,405	(9,784)	107,621
9	Cash Working Capital	508,085	(35,207)	472,878
10	Amort. of Contributions in Aid of Constr.	1,062,842	-	1,062,842
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16		-	-	-
17	Deductions from Rate Base:			
18	FAS 87 Pension	(110,736)	-	(110,736)
19	Customer Advances	(751,670)	-	(751,670)
20	Contributions in Aid of Construction	(3,186,888)	-	(3,186,888)
21	Deferred Income Taxes	(3,129,308)	71,159	(3,058,149)
22		-	-	-
23		-	-	-
24		-	-	-
25		-	-	-
26		-	-	-
27	Rate Base	\$ 37,191,721	\$ (1,151,709)	\$ 36,040,012

Consumers Illinois Water Company-Verrillien Division
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Working Capital (ICC St. Ex 1.00 Sch. 1.08 V) (B)	ADIT (ICC St. Ex 1.00 Sch. 1.10 V) (C)	Materials & Supplies (ICC St. Ex 1.00 Sch. 1.11 V) (D)	Historical Plant Additions (ICC St. Ex 1.00 Sch. 1.13 V) (E)	Allocation Change (ICC St. Ex 3.00 Sch. 3.01) (F)	Incentive Compensation (ICC St. Ex 2.00 Sch. 2.01 V) (G)	(Source) (H)	(Source) (I)	(Source) (J)	Total (K)
1	Gross Utility Plant in Service				(\$1,508,662)	(45,673)	(468)	-	-	-	(1,554,803)
2	(Less) Accum. Depr. and Amort.				371,997	5,528	-	-	-	-	376,926
3	Net Plant				(1,137,265)	(40,144)	(468)	-	-	-	(1,177,877)
4											
5	Additions to Rate Base:										
6	Property Held For Future Use	-	-	-	-	-	-	-	-	-	-
7	Deferred Charges	-	-	-	-	-	-	-	-	-	-
8	Materials and Supplies	-	-	(9,784)	-	-	-	-	-	-	(9,784)
9	Cash Working Capital	(35,207)	-	-	-	-	-	-	-	-	(35,207)
10	Amort. of Contributions in Aid of Constr.	-	-	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-	-	-
16		-	-	-	-	-	-	-	-	-	-
17	Deductions from Rate Base:										
18	FAS 87 Pension	-	-	-	-	-	-	-	-	-	-
19	Customer Advances	-	-	-	-	-	-	-	-	-	-
20	Contributions in Aid of Construction	-	-	-	-	-	-	-	-	-	-
21	Deferred Income Taxes	-	(14,225)	-	85,384	-	-	-	-	-	71,159
22		-	-	-	-	-	-	-	-	-	-
23		-	-	-	-	-	-	-	-	-	-
24		-	-	-	-	-	-	-	-	-	-
25		-	-	-	-	-	-	-	-	-	-
26		-	-	-	-	-	-	-	-	-	-
27	Rate Base	\$ (35,207)	\$ (14,225)	\$ (9,784)	\$ (1,051,881)	\$ (40,144)	\$ (468)	-	-	-	\$ (1,151,709)

Consumers Illinois Water Company-Vermilion Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 V
Page 1 of 3

Line No	Description (A)	Effect at Company ROR (B)	Effect of Staff ROR (C)	Effect of Interest Synth. Rounding (D) (E)	TOTAL REVENUE EFFECT (F)
1	Company Proposed Increase				\$ 1,955,362 (1)
2	Staff Rate of Return applied to COMPANY RATE BASE		(301,005)		(301,005)
3	Return on Equity	9.27% (2) 10.15% (2)			
4	Staff Adjustments - Total RATE BASE (from Page 2 of 3)	(188,014)	9,321	32,158	(146,535)
5					
6	Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3)				(258,509)
7					
8	Revenue Conversion Factor Adjustment				(1)
9					
10	Rounding				2
11					
12	Total Effect of Staff Proposals				(716,048)
13					
14					
15	Staff Proposed Change to Revenues				\$ 1,239,314 (3)
16					
17					
18	Rounding (Memo Only)				
19					
20	Staff Rate of Return applied to STAFF RATE BASE (Memo Only)				\$ (291,684) (Memo Only)

- (1) Source: Company Schedule C-1, Line 1, Column (F)
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: ICC Staff Exhibit 1.00, Schedule 1.01 V, Column (J).

Consumers Illinois Water Company-Vermilion Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
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ICC Staff Exhibit 1.00
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Page 2 of 3

Line No	Description (A)	Exhibit (B)	Effect at Company ROR (C)	Effect of Staff ROR (D)	Effect of Interest Synch. (E)	Rounding (F)	TOTAL REVENUE EFFECT (G)	Line No
1	Staff Adjustments - RATE BASE							1
2	Working Capital	ICC Staff Exhibit 1.00, Sch 1.08 V	\$ (6,747)	\$ 285	\$ 983	\$ -	\$ (4,479)	2
3	ADIT	ICC Staff Exhibit 1.00, Sch 1.10 V	(2,322)	115	397	-	(1,810)	3
4	Materials & Supplies	ICC Staff Exhibit 1.00, Sch 1.11 V	(1,597)	79	273	-	(1,245)	4
5	Historical Plant Additions	ICC Staff Exhibit 1.00, Sch 1.13 V	(171,717)	8,513	29,370	1	(133,833)	5
6	Allocation Change	ICC Staff Exhibit 3.00, Sch 3.01	(6,553)	325	1,121	(1)	(5,108)	6
7	Incentive Compensation	ICC Staff Exhibit 2.00, Sch 2.01 V	(76)	4	13	(1)	(60)	7
8			-	-	-	-	-	8
9			-	-	-	-	-	9
10			-	-	-	-	-	10
11			-	-	-	-	-	11
12			-	-	-	-	-	12
13			-	-	-	-	-	13
14			-	-	-	-	-	14
15			-	-	-	-	-	15
16			-	-	-	-	-	16
17			-	-	-	-	-	17
18			-	-	-	-	-	18
19			-	-	-	-	-	19
20			-	-	-	-	-	20
21			-	-	-	-	-	21
22			-	-	-	-	-	22
23			-	-	-	-	-	23
24			-	-	-	-	-	24
25			-	-	-	-	-	25
26			-	-	-	-	-	26
27			-	-	-	-	-	27
28	Subtotal		(188,012)	9,321	32,157	(1)	(146,535)	28
29	Rounding		(2)	-	1	1	-	29
30	Total Revenue Effect of Rate Base Adjustments		\$ (188,014)	\$ 9,321	\$ 32,158	\$ -	\$ (146,535)	30

- (1) Source: Adjustment x Co. ROR x Staff GRCF.
(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.
(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.
(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Consumers Illinois Water Company-Vermilion Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 V
Page 3 of 3

Line No	Description (A)	Exhibit (B)	TOTAL REVENUE EFFECT (1)	Remove Rate Base Portion (2)	Operating Statement Portion (C+D)	Line No
1	Staff Adjustments - Operating Statement					1
2	Interest Synchronization	ICC Staff Exhibit 1.00, Sch 1.06 V	\$ 12,098	\$ (32,158)	\$ (20,060)	2
3	Correction to Depreciation Expense	ICC Staff Exhibit 1.00, Sch 1.09 V	3,943	-	3,943	3
4	Historical Plant Additions	ICC Staff Exhibit 1.00, Sch 1.13 V	(44,584)	-	(44,584)	4
5	Revenues	ICC Staff Exhibit 5.00, Sch 5.01	(24,308)	-	(24,308)	5
6	Insurance Expense	ICC Staff Exhibit 3.00, Sch 3.02	(4,609)	-	(4,609)	6
7	Allocation Change	ICC Staff Exhibit 3.00, Sch 3.01	(4,127)	-	(4,127)	7
8	Service Co. Billings	ICC Staff Exhibit 3.00, Sch 3.03	(141,576)	-	(141,576)	8
9	Incentive Compensation	ICC Staff Exhibit 2.00, Sch 2.01 V	(3,528)	-	(3,528)	9
10	Lobbying Expense	ICC Staff Exhibit 2.00, Sch 2.02 V	(8,313)	-	(8,313)	10
11	Regulatory Commission Exp.	ICC Staff Exhibit 2.00, Sch 2.03 V	(10,529)	-	(10,529)	11
12	Social & Service Club Dues	ICC Staff Exhibit 2.00, Sch 2.04 V	(3,135)	-	(3,135)	12
13	Selling, Adv., & Misc. Sales Exp.	ICC Staff Exhibit 2.00, Sch 2.05 V	(7,683)	-	(7,683)	13
14			-	-	-	14
15			-	-	-	15
16			-	-	-	16
17			-	-	-	17
18			-	-	-	18
19			-	-	-	19
20			-	-	-	20
21			-	-	-	21
22			-	-	-	22
23			-	-	-	23
24			-	-	-	24
25			-	-	-	25
26			-	-	-	26
27			-	-	-	27
28	Column Subtotal		\$ (236,351)	\$ (32,158)	(268,509)	28
29						29
30	Rounding		-	-	-	30
31						31
32	Total Revenue Effect of Operating Statement Adjustments				\$ (268,509)	32

(1) Source: Adjustment x Staff GRCF.

(2) Source: Schedule 1.05 V, Page 2 of 3, Column (E), Line 30.

Consumers Illinois Water Company-Vermilion Division
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Amount (B)
1	Staff Rate Base	\$ 36,040,012 (1)
2	Weighted Cost of Debt	<u>4.2073%</u> (2)
3	Synchronized Interest per Staff	1,518,311
4	Company Interest Expense	<u>1,534,540</u> (3)
5	Increase (Decrease) in Interest Expense (Line 3 - Line 4)	\$ <u>(18,229)</u>
6	Increase (Decrease) in State Income Tax Expense (Line 5 * 7.18%)	\$ <u>1,309</u>
7	Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 35%)	\$ <u>5,922</u>

- (1) Source: ICC Staff Exhibit 1.00, Schedule 1.03 V, Column (D).
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: Company Schedule C-5.4

Consumers Illinois Water Company-Vermilion Division
Gross Revenue Conversion Factor
For the Test Year Ended December 31, 2001

Line No	Description (A)	Rate (B)	Per Company (C)	Per Staff With Bad Debts (D)	Per Staff Without Bad Debts (E)
1	Revenues			1.000000	
2	Uncollectibles	0.9317%		<u>0.009317</u>	
3	State Taxable Income			0.990683	1.000000
4	State Income Tax	7.18%		<u>0.071131</u>	<u>0.071800</u>
5	Federal Taxable Income			0.919552	0.928200
6	Federal Income Tax	35.00%		<u>0.321843</u>	<u>0.324870</u>
7	Operating Income			<u>0.597709</u>	<u>0.603330</u>
8	Gross Revenue Conversion Factor Per Staff			<u>1.673055</u>	<u>1.657466</u>
9	Company Proposed Revenue Increase		<u>\$ 1,956,362</u>		
10	Company Proposed Operating Income Increase		<u>\$ 1,168,737</u>		
11	Gross Revenue Conversion Factor Per Company		<u>1.673056</u>		

Consumers Illinois Water Company-Vermilion Division
 Gross Revenue Conversion Factor
 For the Test Year Ended December 31, 2001

Line No.	(A)	Company Proposed Increase (1) (B)	Staff GRCF (2) (C)	Gross Revenue Per Staff (3) (D)	Staff Uncollectible Conversion Factor (4) (E)	Staff State Tax Conversion Factor (5) (F)	Staff Federal Tax Conversion Factor (6) (G)	Amount Per Staff GRCF (D*E*F*G) (H)	Company Proposed Increase (7) (I)	Adjustment (J)
1	Tariffed Revenue Conversion	\$ 1,168,737	1.673055	\$ 1,955,361				\$ 1,955,361	\$ 1,955,362	(\$1)
2	Uncollectible Conversion			1,955,361	0.9317%			18,218	18,218	0
3	State Tax Conversion			1,955,361		7.18%		139,087	139,087	0
4	Federal Tax Conversion			1,955,361			35.00%	629,320	629,320	0

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.01 V, page 1, Line 28, Column (E)
 (2) Source: ICC Staff Exhibit 1.00, Schedule 1.07 V, page 1, Line 8, Column (D)
 (3) Source: Line 1, Column (B) x Line 1 Column (C)
 (4) Source: ICC Staff Exhibit 1.00, Schedule 1.07 V, page 1, Line 2, Column (B)
 (5) Source: ICC Staff Exhibit 1.00, Schedule 1.07 V, page 1, Line 4, Column (B)
 (6) Source: ICC Staff Exhibit 1.00, Schedule 1.07 V, page 1, Line 6, Column (B)
 (7) Source: ICC Staff Exhibit 1.00, Schedule 1.01 V, page 1, Column (E)

Consumers Illinois Water Company-Vermilion Division
Working Capital Adjustment
For the Test Year Ended December 31, 2001

Line No	Description (A)	Amount (B)	Staff Adjustment (C)	Source (D)
1	Total Operating Expenses (Pre Income Tax)	\$ 5,749,726		(1)
2	Less:			
3	Uncollectible Accounts Expense	95,528		(2)
4	Annual Amortization of Rate Case Expense	48,914		(3)
5	Depreciation Expense	1,577,964		(4)
6	Real Estate Tax Expense	<u>244,400</u>		(5)
7	Operating Expenses Requiring Working Capital	\$ 3,763,020		Line 1 minus the sum of Lines 3 through 6
8	45(lag days)/360 (30 day month year)	<u>12.50%</u>		
9	Total Cash Working Capital Per Staff	\$ 472,678		Line 7 multiplied by Line 8
10	Total Cash Working Capital Per Company	<u>508,085</u>		(5)
11	Adjustment to Cash Working Capital	<u>\$ (35,207)</u>		Line 9 minus Line 10

- (1) Source: Schedule 1.01 V, Column (I), Line 21
(2) Source: Schedule 1.01 V, Column (I), Line 5
(3) Source: Schedule 1.01 V, Column (I), Line 15
(4) Source: Schedule 1.01 V, Column (I), Line 16
(5) Source: Company Schedule B-2.2, Line 6
(6) Source: Company Schedule B-1, Column (E), Line 10

Consumers Illinois Water Company-Vermilion Division
Correction to Depreciation Expense Adjustment
For the Test Year Ended December 31, 2001

Line No.	Adjustment (A)	Amount (B)	Source (C)
1	Depreciation Expense Allowed in Contractual Services per Staff	\$0	
2	Depreciation Expense Allowed in Contractual Services per Company	<u>114,387</u>	Company response to Staff data request Field 5
3			
4	Staff Proposed Adjustment to Contractual Services	<u>\$ (114,387)</u>	
5			
6	Depreciation Expense per Staff	\$1,626,122	Schedule 1.09 V, Page 2 of 2, Column (E), Line 41
7	Depreciation Expense per Company	<u>1,507,828</u>	Schedule 1.09 V, Page 2 of 2, Column (G), Line 46 and Schedule C-1, Line 4
8			
9	Staff Proposed Adjustment to Depreciation Expense	<u>\$118,295</u>	
10			

Consumers Illinois Water Company-Vermilion Division
Correction to Depreciation Expense Adjustment
For the Test Year Ended December 31, 2001

Line	Account Number	Account Description	Company Proposed Ave. Future Test Year (1)	Staff Proposed Depreciation Rates (2) & (5)	Staff Proposed Deprec. Exp. C-D (E)	Company Proposed Depreciation Rates (3)	Company Proposed Deprec. Exp. C-D (G)
1		Source of Supply Plant					
2	304	Structures and Improvements	\$133,242	4.17%	\$5,586	4.17%	\$5,586
3	305	Collecting & Impounding Res.	1,377,899	1.50%	20,668	1.50%	20,668
4	306	Lake, River and Other Intakes	734,325	1.47%	10,795	1.47%	10,795
5	307	Wells and Springs	162,783	1.67%	2,718	1.67%	2,718
6	309	Supply Mains	249,416	1.89%	4,714	1.89%	4,714
7							
8		Pumping Plant					
9	304	Structures and Improvements	293,427	2.27%	6,661	2.27%	6,661
10	310	Power Generating Equipment	201,039	3.33%	6,695	3.33%	6,695
11	311	Electric Pumping Equipment	1,417,183	3.13%	44,358	3.13%	44,358
12		Water Treatment Plant					
13	304	Structures and Improvements	11,447,715	2.78%	318,246	2.78%	318,246
14	320	Water Treatment Equipment	8,043,360	3.57%	287,148	3.57%	287,148
15							
16		Transmission & Dist. Plant					
17	304	Structures and Improvements	269,817	4.17%	11,251	4.17%	11,251
18	330	Dist. Reservoirs & Standpipes	1,980,622	1.87%	33,076	1.87%	33,076
19	331	T & D Mains	14,318,915	1.89%	270,627	1.89%	270,627
20	333	Services	5,215,028	3.33%	173,880	3.33%	173,880
21	334	Meters	2,981,513	6.21%	185,152	6.21%	185,152
22	334	Meter Installations	69,128	4.44%	3,069	4.44%	3,069
23	335	Hydrants	1,750,502	3.95%	69,145	3.95%	69,145
24	339	Other Plant & Misc. Equipment	0	5.48%	0	5.48%	0
25		General Plant					
26	304	Structures and Improvements	958,831	4.00%	38,345	4.00%	38,345
27	344	Laboratory Equipment	111,693	5.00%	5,585	5.00%	5,585
28	340	Office Furniture and Equipment	791,046	4.74%	37,496	4.74%	37,496
29	340	Data Processing Equipment	337,003	3.00%	10,110	20.00%	67,401
30	342	Stores Equipment	37,232	3.28%	1,221	3.28%	1,221
31	345	Power Equipment	139,782	5.00%	6,989	5.00%	6,989
32	346	Communication Equipment	124,138	12.50%	15,517	12.50%	15,517
33	347	Miscellaneous Equipment	167,828	5.48%	9,163	5.48%	9,163
34	341	Transportation Equipment	760,906	10.77%	81,950	10.77%	81,950
35	343	Tools, Shop and Garage Equip.	361,645	7.31%	26,436	7.31%	26,436
36							
37			<u>\$54,435,818</u>		<u>\$1,686,353</u>		<u>\$1,743,644</u>
38							
39	331	Less: Contributions In Aid of Construction:	<u>(3,185,858)</u>	1.89%	<u>(60,232)</u>	1.89%	<u>(60,232)</u>
40							
41		Total Depreciation Expense (Line 37 + Line 39)	<u>\$51,248,950</u>		<u>\$1,626,122</u>		<u>\$1,683,412</u>
42							
43							
44		Less Corporate Depreciation Expense Adjustment per Company					<u>(175,588)</u>
45							
46		Total Depreciation Expense Per Company (4)					<u>\$ 1,507,828</u>
47							
48							

(1) Per Company Schedule B-4, Column (G)

(2) Except for Account 340 Data Processing Equipment (see Note 5), per Company Exhibit 8.1, Schedule 3, Page 2 of 2, Column (F)

(3) Per Company Exhibit 8.1, Schedule 3, Page 2 of 2, Column (F)

(4) Per Company Response to Staff Data Request DLH-027

(5) Account 340, Data Processing Equipment rate is reflected at the Company's composite rate per Company Schedule C-12, Col (D), Line 41

Consumers Illinois Water Company-Vermilion Division
Accumulated Deferred Income Taxes Adjustment
For the Test Year Ended December 31, 2001

Line	Description	Amount			
	(A)	(B)			
1	ADIT Per Staff	(3,143,533)	Line 11 Column (D)		
2					
3	ADIT Per Company	(3,129,308)	Company Schedule B-1, Column (E), Line 18		
4					
5	Staff Proposed Adjustment	(14,225)			
6					
7	Proof of Adjustment:	12/31/00 Amount	12/31/01 Amount	Average Amount	
8		(B)	(C)	(D)	
9	Per Company	(3,082,852)	(3,222,662)	(3,157,757)	Schedule B-9, Page 4 of 4, Columns (H) & (J)
10	Correction	0	28,448	14,225	
11	Per Staff	(3,092,852)	(3,194,213)	(3,143,533)	Schedule 1.10 V, Page 2 of 2

Consumers Illinois Water Company-Vermilion Division
Accumulated Deferred Income Taxes Adjustment
For the Test Year Ended December 31, 2001

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Page 2 of 2

Line	Description (A)	12/31/00 Amount (B)	12/31/01 Amount (C)	Calculated Average Amount (D)	Source (E)
	Correction of Company Error:				
1	ADIT Balance Per Company	(\$3,092,852)	(\$3,222,662)	(\$3,157,757)	Schedule B-9, Page 4 of 4, Columns (H) & (J)
2	Staff Corrected Adjustment for New Depreciation Rates	0	28,449	14,225	Schedule B-2.3, Column (D), Line 26
3					
4	Corrected ADIT Balance Per Company	(\$3,092,852)	(\$3,194,213)	(\$3,143,533)	To Schedule 1.10 V, Page 1

Consumers Illinois Water Company-Vermilion Division
 Materials and Supplies Adjustment
 For the Test Year Ended December 31, 2001

Line No.	Adjustment (A)	Amount (B)	Source (C)
1	Materials and Supplies Test Year Balance per Company	\$117,405	(1)
2	Average Monthly Balance	9,784	Line 1 divided by 12 months
3	Materials and Supplies Accounts Payable Per Staff	(9,784)	Line 2
4	Materials and Supplies Accounts Payable Per Company	0	(2)
5	Adjustment to Rate Base	\$ (9,784)	Line 3 - Line 4

(1) Source: Company Schedule B-1, Column (E), Line 9
 (2) Source: Company Schedule B - 8.1, Page 2

Consumers Illinois Water Company-Vermilion Division
Historical Plant Adjustment
For the Test Year Ended December 31, 2001

Line No.	Description (A)	Amount (B)	Source (C)
1	Average 2001 Utility Plant in Service per Staff	\$54,035,140	Line 2 - Line 3
2	Average 2001 Utility Plant in Service per Company	\$5,543,802	Company Schedule B-1, Column (E), Line 1
3	Staff Adjustment to Utility Plant in Service	<u>(\$1,508,662)</u>	Schedule 1.13 V, Column (E), Line 5
4			
5	Staff Utility Plant in Service expressed as		
6	a % of Company Plant in Service	97.28%	Line 1 / Line 2
7			
8	Accumulated Depreciation per Staff	(\$13,302,164)	Line 9 * Line 6
9	Accumulated Depreciation per Company	<u>(13,673,561)</u>	Company Schedule B-1, Column (E), Line 3
10	Staff Adjustment to Accumulated Depreciation	<u>\$371,397</u>	Line 8 - Line 9
11			
12	Depreciation Expense per Staff	\$1,581,953	Line 13 * Line 6
13	Depreciation Expense as adjusted by Staff	<u>1,626,122</u>	Schedule 1.09 V, Page 2 of 2, Column (E), Line 41
14	Staff Adjustment to Depreciation Expense	<u>(\$44,166)</u>	Line 12 - Line 13
15			
16	Accumulated Deferred Federal Tax per Staff	(\$3,058,149)	Line 17 times line 6
17	Accumulated Deferred Income Tax as adjusted by Staff	<u>(3,143,533)</u>	Schedule 1.10 V, Page 1 of 2, Column (B), Line 1
18	Staff Adjustment Accumulated Deferred Income Tax	<u>\$85,384</u>	Line 16 minus line 17

Consumers Illinois Water Company-Vermilion Division
Historical Plant Adjustment
For the Test Year Ended December 31, 2001

Line	Description (A)	1997 (B)	1998 (C)	1999 (D)	Total (E)	Source (F)
1	Historical Additions per Year	\$1,942,166	\$1,338,014	\$1,061,928	\$4,342,108	Per Company Schedule H-9, Pages 2, 4, & 6
2						
3	% Unverified	32.87%	24.43%	51.16%	n/a	Line 12
4						
5	Staff Proposed Adjustment	\$638,472	\$326,923	\$543,266	\$1,508,662	Line 3 * Line 1
6						
7	Sample Amount in Dollars	\$ 744,132.98	\$ 1,045,990.01	\$ 527,596.06	\$2,317,719	
8	Dollar Amount Verified	499,504.87	790,418.25	257,685.81	\$1,547,609	
9						
10	% Verified	67.13%	75.57%	48.84%	n/a	Line 8 / Line 7
11						
12	% Unverified	32.87%	24.43%	51.16%	n/a	1 - Line 10
13						

Consumers Illinois Water Company-Woodhaven Division
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Line No.	Description (A)	Company Pro Forma Present (Sch. C-1/WF-C1) (B)	Staff Adjustments (Sch. 1.02 W, p. 2) (C)	Staff Pro Forma Present (Cols. B+C) (D)	Company Proposed Increase (Col. Sch. C-1) (E)	Staff Gross Revenue Conversion Factor (Sch. 1.07 W, p. 2) (F)	Proposed Rates with Staff Adjustments (Cols. D+E+F) (G)	Adjustment To Proposed Increase (H)	Staff Pro Forma Proposed (Cols. G+H) (I)	Revenue Change (Col. I-D) (J)	% Revenue Change (J) (K)
1	Operating Revenues	\$ 503,961	\$ 42,179	\$ 546,140	\$ 291,029	\$ -	\$ 837,169	\$ (113,083)	\$ 724,086	\$ 177,946	32.59%
2	Total Operating Revenue	503,961	42,179	546,140	291,029	-	837,169	(113,083)	724,086	177,946	32.59%
3											
4	Uncollectible Accounts	23,255	-	23,255	13,429	-	36,684	(5,218)	31,466	-	-
5	Salaries and Wages	71,205	-	71,205	-	-	71,205	-	71,205	-	-
6	Employee Pension & Benefits	24,490	(261)	24,229	-	-	24,229	-	24,229	-	-
7	Purchased Power & Fuel for Power Prod.	34,607	-	34,607	-	-	34,607	-	34,607	-	-
8	Chemicals	6,431	-	6,431	-	-	6,431	-	6,431	-	-
9	Materials & Supplies	9,309	-	9,309	-	-	9,309	-	9,309	-	-
10	Contractual Services	147,094	(33,742)	113,352	-	-	113,352	-	113,352	-	-
11	Lease Expense	2,171	-	2,171	-	-	2,171	-	2,171	-	-
12	Transportation Expense	2,935	-	2,935	-	-	2,935	-	2,935	-	-
13	Insurance Expense	6,875	(267)	6,608	-	-	6,608	-	6,608	-	-
14	Regulatory Commission Exp. Amort.	20,938	(8,065)	12,773	-	-	12,773	-	12,773	-	-
15	Depreciation Expense	113,438	(1,481)	111,947	-	-	111,947	-	111,947	-	-
16	Amortization Expense	1,820	-	1,820	-	-	1,820	-	1,820	-	-
17	Taxes Other than Income	36,544	-	36,544	-	-	36,544	-	36,544	-	-
18	Miscellaneous Expense	186	(52)	134	-	-	134	-	134	-	-
19	Total Operating Expense	501,198	(43,878)	457,320	13,429	-	470,749	(5,218)	465,531	-	-
20	Before Income Taxes										
21											
22	State Income Tax	(5,809)	6,155	346	19,932	-	20,278	(7,745)	12,533	-	-
23	Federal Income Tax	(26,282)	27,852	1,570	90,184	-	91,754	(35,042)	56,712	-	-
24	Deferred Taxes and LTCs Net	-	-	-	-	-	-	-	-	-	-
25	Total Operating Expenses	489,107	(9,871)	489,236	123,645	-	592,781	(48,005)	534,776	-	-
26											
27											
28	NET OPERATING INCOME	\$ 34,854	\$ 52,050	\$ 86,904	\$ 167,484	\$ -	\$ 254,368	\$ (65,078)	\$ 189,310	\$ 2,041,368 (1)	9.27% (2)
29											
30	Staff Rate Base										
31											
32	Staff Overall Rate of Return										

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03 W, Page 1, Column (D).
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Consumers Illinois Water Company-Woodhaven Division
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Interest Synchron-ization (B) (ICC St. Ex 1.00 Sched 1.08 W)	Correct Depreciation Expense (C) (ICC St. Ex 1.00 Sched 1.08 W)	Revenues (D) (ICC St. Ex 6.00 Sched 5.02)	Insurance Expense (E) (ICC St. Ex 3.00 Sched 3.02)	Allocation Change (F) (ICC St. Ex 3.00 Sched 3.01)	Service Co. Billings (G) (ICC St. Ex 3.00 Sched 3.03)	Incentive Compensation (H) (ICC St. Ex 2.00 Sched 2.01 W)	Lobbying Expense (I) (ICC St. Ex 2.00 Sched 2.02 W)	Regulatory Commission Exp. (J) (ICC St. Ex 2.00 Sched 2.03 W)	Subtotal (K)
1	Operating Revenues	\$ -	\$ -	\$ 42,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,179
2		-	-	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	42,179	-	-	-	-	-	-	42,179
4		-	-	-	-	-	-	-	-	-	-
5	Uncollectible Accounts	-	-	-	-	-	-	-	-	-	-
6	Salaries and Wages	-	-	-	-	-	-	(261)	-	-	(261)
7	Employee Pension & Benefits	-	-	-	-	-	-	-	-	-	-
8	Purchased Power & Fuel for Power Prod.	-	-	-	-	-	-	-	-	-	-
9	Chemicals	-	-	-	-	-	-	-	-	-	-
10	Materials & Supplies	-	-	-	-	-	-	-	-	-	-
11	Contractual Services	-	(14,113)	-	-	-	(18,613)	-	(1,016)	-	(33,742)
12	Lease Expense	-	-	-	-	-	-	-	-	-	-
13	Transportation Expense	-	-	-	-	-	-	-	-	-	-
14	Insurance Expense	-	-	-	(267)	-	-	-	-	-	(267)
15	Regulatory Commission Exp. Amort.	-	-	-	-	(1,491)	-	-	-	(8,065)	(8,065)
16	Depreciation Expense	-	-	-	-	-	-	-	-	-	-
17	Amortization Expense	-	-	-	-	-	-	-	-	-	-
18	Taxes Other than Income	-	-	-	-	-	-	-	-	-	-
19	Miscellaneous Expense	-	-	-	-	-	-	-	-	-	-
20	Total Operating Expense	-	-	-	-	-	-	-	-	-	-
21	Before Income Taxes	-	(14,113)	-	(267)	(1,491)	(18,613)	(261)	(1,016)	(8,065)	(43,826)
22		-	-	-	-	-	-	-	-	-	-
23	State Income Tax	(23)	1,013	3,028	19	107	1,336	19	73	579	6,151
24	Federal Income Tax	(106)	4,585	13,703	87	484	6,047	85	330	2,620	27,835
25	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-	-	-
26	Total Operating Expenses	(129)	(8,515)	16,731	(161)	(900)	(11,230)	(157)	(613)	(4,866)	(8,940)
27		-	-	-	-	-	-	-	-	-	-
28	NET OPERATING INCOME	\$ 129	\$ 8,515	\$ 25,448	\$ 161	\$ 900	\$ 11,230	\$ 157	\$ 613	\$ 4,866	\$ 52,019

[illegible]

Consumers Illinois Water Company-Woodhaven Division
Rate Base
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Company Pro Forma (Sec. 285.2005, Sch. B-1) (B)	Staff Adjustments (ICC St. Ex 1.00 Sch 1.04 W) (C)	Staff Pro Forma (Col B+C) (D)
1	Gross Utility Plant in Service	\$ 4,078,594	\$ (16,689)	\$ 4,061,905
2	(Less) Accum. Depr. and Amort.	(1,359,504)	1,890	(1,357,614)
3	Net Plant	2,719,090	(14,799)	2,704,291
4				
5	Additions to Rate Base:	-	-	-
6	Property Held For Future Use	6,344	-	6,344
7	Deferred Charges	16,967	(1,414)	15,553
8	Materials and Supplies	40,993	(4,290)	36,703
9	Cash Working Capital	406,468	-	406,468
10	Amort. of Contributions in Aid of Constr.	-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16		-	-	-
17	Deductions from Rate Base:			
18	FAS 87 Pension	(7,952)	-	(7,952)
19	Customer Advances	-	-	-
20	Contributions in Aid of Construction	(923,014)	-	(923,014)
21	Deferred Income Taxes	(185,221)	(11,804)	(197,025)
22		-	-	-
23		-	-	-
24		-	-	-
25		-	-	-
26		-	-	-
27	Rate Base	\$ 2,073,675	\$ (32,307)	\$ 2,041,368

Consumers Illinois Water Company-Woodhaven Division
Adjustments to Rate Base
For the Test Year Ended December 31, 2001
In Dollars

Line No	Description (A)	Working Capital (ICC St. Ex 1.00 Sch. 1.08 W) (B)	ADIT (ICC St. Ex 1.00 Sch. 1.10 W) (C)	Materials & Supplies (ICC St. Ex 1.00 Sch. 1.11 W) (D)	Allocation Change (ICC St. Ex 3.00 Sch. 3.01) (E)	Incentive Compensation (ICC St. Ex 2.00 Sch. 2.01 W) (F)	(Source) (G)	(Source) (H)	(Source) (I)	(Source) (J)	Total (K)
1	Gross Utility Plant in Service				(16,667)		(32)				(16,669)
2	(Less) Accum. Depr. and Amort.				1,890						1,890
3	Net Plant				(14,767)		(32)				(14,799)
4											
5	Additions to Rate Base:										
6	Property Held For Future Use										
7	Deferred Charges										
8	Materials and Supplies			(1,414)							(1,414)
9	Cash Working Capital	(4,290)									(4,290)
10	Amort. of Contributions in Aid of Constr.										
11											
12											
13											
14											
15											
16											
17	Deductions from Rate Base:										
18	FAS 87 Pension										
19	Customer Advances										
20	Contributions in Aid of Construction		(11,804)								(11,804)
21	Deferred Income Taxes										
22											
23											
24											
25											
26											
27	Rate Base	(4,290)	(11,804)	(1,414)	(14,767)	(32)					(32,307)

Consumers Illinois Water Company-Woodhaven Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 W
Page 1 of 3

Line No	Description (A)	Effect at Company ROR (B)	Effect of Staff ROR (C)	Effect of Interest Synch. (D)	Rounding (E)	TOTAL REVENUE EFFECT (F)
1	Company Proposed Increase					\$ 291,029 (1)
2	Staff Rate of Return applied to COMPANY RATE BASE	9.27% (2)	(17,431)			(17,431)
3	Return on Equity	10.15% (2)				
4	Staff Adjustments - Total RATE BASE (from Page 2 of 3)	(5,478)	272	937	-	(4,269)
5						(91,382)
6	Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3)					
7						
8	Revenue Conversion Factor Adjustment					
9	Rounding					(1)
10						
11	Total Effect of Staff Proposals					(113,083)
12						
13						
14	Staff Proposed Change to Revenues					\$ 177,946 (3)
15						
16						
17	Rounding (Memo Only)					(1) (Memo Only)
18						
19	Staff Rate of Return applied to STAFF RATE BASE (Memo Only)					\$ (17,160) (Memo Only)
20						

- (1) Source: Company Schedule C-1, Line 1, Column (F)
(2) Source: ICC Staff Exhibit 7.00, Schedule 7.01
(3) Source: ICC Staff Exhibit 1.00, Schedule 1.01 W, Column (J).

Consumers Illinois Water Company-Woodhaven Division
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
In Dollars

Docket Nos. 00-0337/00-0338/
00-0339 Consolidated
ICC Staff Exhibit 1.00
Schedule 1.05 W
Page 2 of 3

Line No.	Description (A)	Exhibit (B)	Effect at Company ROR (C)	Effect of Staff ROR (D)	Effect of Interest Synch. (E)	Rounding (F)	TOTAL REVENUE EFFECT (G)	Line No.
1	Staff Adjustments - RATE BASE							1
2	Working Capital	ICC Staff Exhibit 1.00, Sch 1.08 W	\$ (727)	\$ 36	\$ 124	\$ -	\$ (567)	2
3	ADIT	ICC Staff Exhibit 1.00, Sch 1.10 W	(2,001)	99	342	-	(1,560)	3
4	Materials & Supplies	ICC Staff Exhibit 1.00, Sch 1.11 W	(240)	12	41	-	(187)	4
5	Allocation Change	ICC Staff Exhibit 3.00, Sch 3.01	(2,504)	124	428	1	(1,951)	5
6	Incentive Compensation	ICC Staff Exhibit 2.00, Sch 2.01 W	(5)	-	1	-	(4)	6
7			-	-	-	-	-	7
8			-	-	-	-	-	8
9			-	-	-	-	-	9
10			-	-	-	-	-	10
11			-	-	-	-	-	11
12			-	-	-	-	-	12
13			-	-	-	-	-	13
14			-	-	-	-	-	14
15			-	-	-	-	-	15
16			-	-	-	-	-	16
17			-	-	-	-	-	17
18			-	-	-	-	-	18
19			-	-	-	-	-	19
20			-	-	-	-	-	20
21			-	-	-	-	-	21
22			-	-	-	-	-	22
23			-	-	-	-	-	23
24			-	-	-	-	-	24
25			-	-	-	-	-	25
26			-	-	-	-	-	26
27			-	-	-	-	-	27
28	Subtotal		(5,477)	271	936	1	(4,269)	28
29	Rounding		(1)	1	1	(1)	-	29
30	Total Revenue Effect of Rate Base Adjustments		\$ (5,478)	\$ 272	\$ 937	\$ -	\$ (4,269)	30

- (1) Source: Adjustment x Co. ROR x Staff GRCF.
(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.
(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.
(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.